

# UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

Harvard Street at East River Parkway  
Minneapolis, MN 55455

**JOINT MEETING OF  
THE BOARD OF GOVERNORS  
FINANCE COMMITTEE  
AND  
PLANNING AND DEVELOPMENT COMMITTEE**

**Wednesday, February 26, 1992  
10:30 - 12:00 p.m.  
Radisson Metrodome Hotel**

**FINANCE COMMITTEE MEMBERS**

Nellie Johnson, Chair  
Edward Ciriacy, M.D.  
Robert Dickler  
Michael Dougherty  
Clifford Fearing  
Leo Furcht, M.D.  
Arthur Kydd  
John Morrison  
Roger Paschke  
Vic Vikmanis

**PLANNING AND DEVELOPMENT COMMITTEE**

David Lentz, Chair  
Leonard Bienias  
Robert Dickler  
S. Albert Hanser  
Greg Hart  
Clint Hewitt  
Terrance Hill  
William Jacott, M.D.  
Ted Thompson, M.D.  
Peter Lynch, M.D.

**A G E N D A**

- |      |   |                                |
|------|---|--------------------------------|
| I.   | Opening of Meeting and Approval of Minutes of Finance Committee meeting held 1/22/92 (Approval) pp. 1 - 3 | David Lentz                    |
| II.  | January 31, 1992 Financial Statements (Information) pp. 4 - 9   | Clifford Fearing               |
| III. | Major Capital Expenditure: EMTEK System Upgrade (Endorsement) pp. 10 - 16                                 | Helen Pitt/<br>Dr. Frank Cerra |
| IV.  | Quarterly Capital Expenditures Report (Information) pp. 17  | Greg Hart                      |
| V.   | Interstate Medical Center (Endorsement) To be distributed.  | Robert Dickler                 |
| VI.  | Renewal Project Update (Information)  | Robert Dickler                 |
| VII. | Other   |                                |

\* Lunch at 12:00 p.m. with Full Board meeting to follow.

THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
BOARD OF GOVERNORS FINANCE COMMITTEE  
January 22, 1992

MINUTES

**ATTENDANCE:**

Present:	Edward Ciriacy, M.D. Robert Dickler Cliff Fearing Leo Furcht, M.D. Terence Hill David Lentz Margaret Matalamaki John Morrison Vic Vikmanis	Not Present:	Michael Dougherty Roger Paschke
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Staff:	Giles Caver Greg Hart Nels Larson Shannon Lorbiecki Joanne Disch Sharon Weiss	Guests:	Dr. Peter Bitterman Dr. Frank Cerra Al Dees Dr. Tom Green Helen Pitt Mary Ellen Wells
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**CALL TO ORDER:**

The Finance Committee was called to order by Mr. David Lentz, Interim Chairperson, on January 22, 1992 at 12:30 P.M.

**APPROVAL OF THE MINUTES:**

The Board of Governors Finance Committee seconded and passed a motion to approve the minutes of the December 18, 1991 meeting as written.

**JULY 1, 1991 THROUGH DECEMBER 31, 1991 FINANCIALS:**

Mr. Cliff Fearing reported to the Finance Committee the month of December inpatient admissions totaled 1,486 which was 86 above budget; average length of stay was 7.8 days; patient days totaled 11,288 which were 553 days below budget. The December average daily census was 364, which was below the budgeted level of 382. Clinic visits for the month of December were reported to be 3.5% above budget.

The Hospital's year-to-date Statement of Operations showed expenses being greater than revenues by \$2,752,000, an unfavorable variance of \$6,024,000. Gross patient revenue was 3.5% below budget and operating expenditures through December were reported to be 3.3% below budget.

As of December 31, the balance of accounts receivable totaled \$102,685,000 and represented 98.3 days of revenue outstanding.

The Hospital's overall operating position shows a loss for the month and year-to-date.

## SECOND QUARTER, 1991-92 BAD DEBTS:

Mr. Fearing reported the bad debts for the second quarter totaled \$555,108.29 represented by 1,881 accounts. Receivables amounted to \$2,163.82, leaving a net charge-off of \$552,944.47. This amount represents 0.60% of gross charges and compares to a budgeted level of 0.79%.

The Finance Committee seconded and passed a motion to endorse the Second Quarter, 1991-92 Bad Debt report as submitted.

## SPECIAL CAPITAL PROJECT:

### Magnetic Resonance Imager (MRI)

Mr. Al Dees introduced Dr. Arthur Stillman, Head of MRI Section of Radiology Department at UMHC, as a guest at today's Board of Governors Finance Committee meeting.

Mr. Dees presented to the Committee, for endorsement, a proposal to acquire an additional 1.5 Tesla Magnetic Resonance Imager to replace the leased 1.0 Tesla Magnetic Resonance Imager in the MRI section of the Department of Radiology at a cost of \$2,400,000 for equipment and \$600,000 for installation. This acquisition is included in UMHC's capital plan for the 1991-92 fiscal year and had been presented to the Committee for information at the December 18, 1991 meeting.

The Finance Committee seconded and passed a motion to endorse the proposal to acquire a new, state-of-the-art 1.5 Tesla Magnetic Resonance Imager at a projected cost of \$3,000,000 to replace the leased 1.0 Tesla Magnetic Resonance Imager.

## MAJOR CAPITAL EXPENDITURE:

### EMTEK System Upgrade

Helen Pitt introduced Dr. Frank Cerra, Medical Director of Surgical ICU; Dr. Tom Green, Medical Director Pediatric ICU, and Dr. Peter Bitterman, Medical Director of Medical ICU, as guests at today's Board of Governors Finance Committee meeting.

Ms. Pitt reported to the Committee, for information, a proposal to expand the Critical Care Clinical Information Management System called EMTEK to include the medical and pediatric intensive care units at a capital cost of \$950,000 with an additional \$108,000 for installation.

Ms. Pitt stated that EMTEK, bedside clinical information system for patient care on unit 4D (the surgical intensive care unit) was implemented in November of 1990 and has proven beneficial in staff productivity, cost reductions and improved efficiency and effectiveness in patient care. Currently, there are 24 beds equipped with the EMTEK system and an additional 29 would be up and running by the summer of 1992 under this proposal. The ability to impact medical practice and care delivery will be significantly enhanced if all three of the contiguous intensive care units are on the same system. Dr. Cerra described the benefits of the system from the physician's perspective.

This system expansion is part of the Long Range Capital Plan and has been included in the fiscal year 1991-92 capital budget. This proposal will be brought back to the Committee for endorsement next month.

#### Orthopaedic Clinic Remodeling

Ms. Mary Ellen Wells reported to the Committee, for information, a proposal to remodel the Orthopaedic Clinic in the Phillips-Wangensteen Building (PWB) at a cost of \$143,100.

Ms. Wells stated that the Orthopaedic Clinic has more than doubled in patient visits since 1979 when it was first opened in PWB. Under this remodeling project, five adjacent social work offices would be utilized in creating two additional exam rooms, four rooms to accommodate physical therapy, consulting and patient education, and an area for staff support activities. The displaced social work staff would be transferred to offices in the Mayo Building.

This remodeling is part of the fiscal year 1991-92 budget.

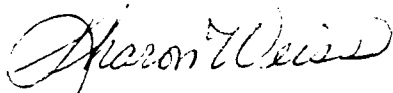
#### **HOSPITAL PERSONNEL AUTONOMY - COMPENSATION:**

Mr. Greg Hart reported to the Committee, for information, a proposal to extend the delegation of authority of the Hospital Board of Governors to include compensation policies for all employees of The University Hospital and Clinic; including student employees.

Upon approval of this action, new classifications and classification numbers would be created with incumbent employees being transferred to the new classification without loss of seniority or other benefits. Classifications in Bargaining Unit's 3 and 6 would continue to be administered according to the contracts as negotiated by the University.

There being no further discussion, the January 22, 1992 meeting was adjourned at 2:10 P.M.

Respectfully submitted,



Sharon Weiss  
Recording Secretary

# UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

Harvard Street at East River Parkway  
Minneapolis, MN 55455

February 26, 1992

**TO:** Board of Governors Finance Committee  
**FROM:** Clifford P. Fearing  
**SUBJECT:** Report of Operations for the Period  
 July 1, 1991 through January 31, 1992

The Hospital's operations for the month of January reflect inpatient admissions, patient days and outpatient clinic visits all below budgeted levels.

**INPATIENT CENSUS:** For the month of January, inpatient admissions totaled 1,553 which was 42 below budgeted admissions of 1,595. Our overall average length of stay for the month was 7.8 days. Patient days for January totaled 11,864 and were 864 days below budget. The areas in which admissions were most significantly under budget were Gynecology and Pediatrics. Areas in which admissions were significantly over budget were Family Practice and Orthopedics.

**OUTPATIENT CENSUS:** Outpatient encounters (including CUHCC and Home Health) for the month of January totaled 29,737 which was 552, or 1.9%, more than budgeted visits of 29,185. CUHCC was 579 or 13.7% over budget and Home Health was 263 or 29.6% over budget. Other areas in which visits were significantly over budget include the Adult Psych, Sports Medicine, and the Heart Cath Lab (not budgeted for). Areas which were significantly under budget were Child Psych, Medicine, OB/GYN, and Radiation Therapy.

To recap our census:

Monthly Data					YTD Data					
90/91	91/92	91/92		%	90/91	91/92	91/92		%	
<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Var</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Var</u>	
1,617	1,595	1,553	(42)	(2.6)	Admissions	10,739	10,873	10,495	(378)	(3.5)
12,604	12,728	11,864	(864)	(6.8)	Patient Days	86,325	87,878	82,223	(5,655)	(6.4)
8.5	8.0	7.8	(0.2)	(2.5)	Avg Length of Stay	8.1	8.1	7.8	(0.3)	(3.7)
406.6	410.5	382.7	(27.8)	(6.8)	Avg Daily Census	401.5	408.7	382.4	(26.3)	(6.4)
70.3	71.3	67.4	(3.9)	(5.5)	Percent Occupancy	69.7	71.0	67.2	(3.8)	(5.4)
29,528	29,185	29,737	552	1.9	Output Encounters	196,605	202,159	198,223	(3,936)	(1.9)

**REPORT OF OPERATIONS**  
**January 1992**  
**PAGE 2**

**FINANCIAL OPERATIONS:** The Hospital's Statement of Operations shows expenses being greater than revenues by \$3,107,000, an unfavorable variance of \$(6,752,000).

Patient care charges through January totaled \$214,836,000, which was 3.2% under budget. Routine revenue was \$4,118,000 (6.4%) below budget and ancillary revenue was \$2,897,000 (1.8%) below budget and reflects both our unfavorable inpatient and outpatient census variance. Inpatient revenue averaged \$16,181 per admission compared to the budgeted average of \$16,335. Outpatient revenue per outpatient encounter averaged \$227 per visit compared to the budgeted average of \$219.

Deductions from charges totaled \$58,406,000, which was \$3,694,000 (6.8%) over budgeted deductions of \$54,712,000. The variance is largely due to the Medicare and Medical Assistance programs where the average charges per case are higher than projected, thus resulting in higher than anticipated adjustments. Other factors contributing to the variance include increased prompt payor discounts, and increased write-offs associated with the increase in our transplant activity this year.

Operating expenditures through January totaled \$179,919,000 and were \$5,407,000 (2.9%) below budgeted levels of \$185,326,000. The overall favorable variance was primarily due to lower patient related costs (personnel, medical supplies and services, drugs and blood) and anticipated expenses not yet incurred.

**ACCOUNTS RECEIVABLE:** The balance in patient accounts receivable as of January 31, 1992, totaled \$106,021,000 and represented 102.2 days of revenue outstanding. The overall increase in patient receivables in January of 3.9 days was reflected by an increase in Medicare, and Special Contracts - Transplant.

**CONCLUSION:** The Hospital's overall operating position shows a monthly loss and a year-to-date loss. Actions with regard to our expenditure base are being developed. It is our intention to be in a breakeven financial position for the fourth quarter of the 1991/92 fiscal year.

**UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC**  
**SUMMARY STATEMENT OF OPERATIONS**  
**FOR THE PERIOD JULY 1, 1991 TO JANUARY 31, 1992**

	1991-92 Budgeted	1991-92 Actual	Variance Over/(Under) Budget	Variance %
Gross Patient Revenue	\$221,851,000	\$214,836,000	(\$7,015,000)	-3.2%
Deductions From Revenue	54,712,000	58,406,000	3,694,000	6.8%
Net Patient Service Revenue	167,139,000	156,430,000	(10,709,000)	-6.4%
Other Operating Revenue				
Appropriation & Support	7,805,000	7,676,000	(129,000)	-1.7%
Other Revenue	7,004,000	6,832,000	(172,000)	-2.5%
Total Other Revenue	14,809,000	14,508,000	(301,000)	-2.0%
Total Revenue From Operations	181,948,000	170,938,000	(11,010,000)	-6.1%
Operating Expenses:				
Salaries	75,015,000	73,548,000	(1,467,000)	-2.0%
Fringe Benefits	18,144,000	17,725,000	(419,000)	-2.3%
Contract Compensation	11,663,000	11,710,000	47,000	0.4%
Supplies And Services	41,715,000	39,936,000	(1,779,000)	-4.3%
Utilities And Maintenance	6,891,000	7,167,000	276,000	4.0%
General Supplies & Expense	11,147,000	9,530,000	(1,617,000)	-14.5%
Insurance	1,086,000	1,076,000	(10,000)	-0.9%
Depreciation & Amortization	11,165,000	10,452,000	(713,000)	-6.4%
Interest	6,739,000	6,929,000	190,000	2.8%
Provision For Uncollectibles	1,761,000	1,846,000	85,000	4.8%
Total Operating Expenses	185,326,000	179,919,000	(5,407,000)	-2.9%
Net Revenue From Operations	(3,378,000)	(8,981,000)	(5,603,000)	
Nonoperating Gains: Investment Income	7,023,000	5,874,000	(1,149,000)	-16.4%
Revenue And Gains In Excess Of Expense	\$3,645,000	(\$3,107,000)	(\$6,752,000)	

	1991-92 Budgeted	1991-92 Actual	Variance Over/(Under) Budget	Variance %
Admissions	10,873	10,495	(378)	-3.5%
Patient Days	87,878	82,223	(5,655)	-6.4%
Average Length Of Stay	8.1	7.8	(0.3)	-3.7%
Average Daily Census	408.7	382.4	(26.3)	-6.4%
Percentage Occupancy	71.0	67.2	(3.8)	-5.4%
Outpatient Encounters	202,159	198,223	(3,936)	-1.9%

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
BALANCE SHEETS

JANUARY 31, 1992 AND JUNE 30, 1991

ASSETS	01/31/92	6/30/91	LIABILITIES AND FUND BALANCES	01/31/92	6/30/91
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Operating Cash	\$8,713,000	\$13,611,000	Accounts Payable	\$13,996,000	\$11,539,000
Reserve Cash- Third Party Payable	25,131,000	21,246,000	Payable to Third Party Contr. Payors	22,316,000	18,431,000
Reserve Cash- Current Indebtedness	8,251,000	5,721,000	Salaries, Wages and Payroll Taxes	12,416,000	9,833,000
Accounts Receivable			Accrued Vacation	9,013,000	9,233,000
Patient Receivables	106,021,000	95,679,000	Accrued Professional Fees and Physician Compensation	2,065,000	2,171,000
Other Receivables	1,866,000	1,795,000	Contracts Payable	4,029,000	522,000
Third Party Receivable	1,427,000	2,145,000	Construction Retainages	139,000	307,000
Appropriation Receivable	1,223,000	1,325,000	Interest Payable	5,761,000	4,684,000
	-----	-----	Current Portion of Long-Term Debt	2,978,000	3,157,000
	110,537,000	100,944,000			
Less Allowances for Losses in Collection	(8,165,000)	(7,805,000)			
Less Allowances for Discounts to Third Party Payors	(29,254,000)	(24,620,000)			
	-----	-----			
	73,118,000	68,519,000			
Inventories of Drugs & Supplies	4,809,000	4,723,000			
Prepaid Expenses	607,000	1,061,000			
	-----	-----	<b>TOTAL CURRENT LIABILITIES</b>	\$72,713,000	\$59,877,000
<b>TOTAL CURRENT ASSETS</b>	\$120,629,000	\$114,881,000			
<b>ASSETS WHOSE USE IS LIMITED</b>					
Board Designated Assets					
Available for Assignment					
Cash & Investments	\$49,951,000	\$44,819,000			
Accrued Interest	1,177,000	148,000			
	-----	-----			
	51,128,000	44,967,000			
Cash & Invest for Debt Service	13,000,000	13,000,000	<b>LONG-TERM DEBT, LESS CURRENT PORTION</b>	\$165,032,000	\$165,282,000
Cash & Invest for Working Capital	16,000,000	16,000,000			
	-----	-----			
<b>TOTAL</b>	\$80,128,000	\$73,967,000			
<b>PROPERTY, PLANT, &amp; EQUIPMENT</b>					
Land, Buildings & Improvements	\$192,129,000	\$191,909,000			
Equipment	102,544,000	98,495,000			
	-----	-----			
	294,673,000	290,404,000			
Less Accumulated Depreciation	(144,033,000)	(133,650,000)			
	-----	-----			
	150,640,000	156,754,000			
Construction in Progress	11,387,000	5,581,000			
	-----	-----			
<b>TOTAL PROPERTY, PLANT, &amp; EQUIPMENT</b>	162,027,000	162,335,000			
Assigned Cash & Investments for Construction/Equipment	42,825,000	45,136,000			
	-----	-----			
<b>TOTAL</b>	\$204,852,000	\$207,471,000			
<b>INVESTMENTS HELD BY BOND TRUSTEE</b>	\$19,773,000	\$19,108,000			
<b>OTHER ASSETS</b>					
Deferred Third Party Reimbursement	\$6,016,000	\$6,404,000			
Deferred Debt Expense	960,000	1,009,000			
Deposits and Other	475,000	374,000			
	-----	-----			
<b>TOTAL</b>	\$7,451,000	\$7,787,000	<b>UNRESTRICTED FUND BALANCE</b>	\$195,088,000	\$198,055,000
<b>TOTAL ASSETS</b>	\$432,833,000	\$423,214,000	<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	\$432,833,000	\$423,214,000
	=====	=====		=====	=====
<b>RESTRICTED ASSETS</b>			<b>RESTRICTED FUND BALANCES</b>		
Cash and Investments	\$7,657,000	\$7,416,000	Endowment Funds	\$2,621,000	\$2,553,000
	-----	-----	Gift Funds	5,036,000	4,863,000
	\$7,657,000	\$7,416,000		-----	-----
	=====	=====		\$7,657,000	\$7,416,000
	=====	=====		=====	=====



UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

CASH FLOW

FOR THE PERIOD JULY 1, 1991 TO JANUARY 31, 1992

OPERATING ACTIVITIES AND NONOPERATING REVENUES:

Excess of operating revenues over operating expenses:	(\$8,981,000)
Noncash revenues and expenses included in operating activity:	
Depreciation and amortization	\$10,920,000
Unreimbursed University G & A services	133,000
Provision for uncollectible accounts	1,846,000
Change in patient receivable and other receivables	(7,162,000)
Change in due from third party reimbursement program	717,000
Change in due to third party reimbursement programs	3,885,000
Change in accounts payable	2,457,000
Change in accrued expenses	6,673,000
Other, net	267,000

Net cash provided by operating activities \$10,755,000

Nonoperating revenues \$5,874,000

Net cash provided by operating activities and nonoperating revenues \$16,629,000

INVESTING ACTIVITIES:

Acquisition of property, plant and equipment (\$10,095,000)

Funds transferred from other sources 7,000

Cash outflows for Property & Plant (10,088,000)

Increase in assets whose use is limited (4,515,000)

Net cash used in investing activities (\$14,603,000)

FINANCING ACTIVITIES:

Repayment of long-term debt \$0

Repayment of notes payable (508,000)

(\$508,000)

Increase in cash and equivalents \$1,518,000

Cash and cash equivalents at June 30, 1991 \$40,577,000

Cash and equivalents at January 31, 1992 \$42,095,000

University of Minnesota Hospital & Clinic  
Statement of Changes in Fund Balance  
For the Period July 1, 1991 through January 31, 1992

	OPERATING FUND	CURRENT DEBT SERVICE FUND	BOARD DESIGNATED FUND	PLANT FUND	TRUSTEE FUND	TOTAL UNRESTRICTED FUNDS
<b>UNRESTRICTED FUNDS</b>						
Beginning Balance	\$53,120,000	\$5,721,000	\$73,967,000	\$46,139,000	\$19,108,000	\$198,055,000
<b>Net Income</b>						
Excess of Revenue over Expense	777,000					
Interest Income on Reserves			4,957,000			
Depreciation Expense				(10,400,000)		
Loss on Disposal of Assets				(4,000)		
Interest Income on Trustee Held Fund					808,000	
Amortization of Deferred Bond Expense				(127,000)		
Amort of Deferred 3rd Party Reimb.				(389,000)		
Interest Income on Bond Proceeds			1,153,000		119,000	
Total Income						(3,107,000)
<b>Less Expense</b>						
University Support: G & A	133,000					133,000
<b>Transfers Between Funds</b>						
Major Building Projects- Hosp.	(2,290,000)		29,000	2,261,000		
Capital Expenditures	(5,684,000)		0	5,684,000		
Major Equipment Requisition	(508,000)			508,000		
Bond Interest Payment	5,648,000	(5,387,000)			(262,000)	
Bond Interest Expense Funding	(6,464,000)	6,464,000				
Bond Principal Funding	(1,453,000)	1,453,000				
Dermatology Loan Payment	(22,000)		22,000			
Transfer from Gift Fund to Plant				7,000		7,000
Ending Balance	\$43,257,000	\$8,251,000	\$80,128,000	\$43,679,000	\$19,773,000	\$195,088,000

	GIFT	ENDOWMENT	TOTAL
<b>RESTRICTED FUNDS</b>			
Beginning Balance	\$4,863,000	\$2,553,000	\$7,416,000
Income	241,000	68,000	309,000
Disbursements	(61,000)		(61,000)
Transfer to Plant Fund for Capital Exp.	(7,000)		(7,000)
Ending Balance	\$5,036,000	\$2,621,000	\$7,657,000

# UNIVERSITY OF MINNESOTA

*The University of Minnesota Hospital and Clinic*

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

February 18, 1992

To: Members of the Finance Committee  
Members of the Planning and Development Committee

From: Robert M. Dickler, General Director

RE: Expansion of the Critical Care Clinical Information Management System

Two years ago the Board of Governors approved a pilot bedside computer project for patient care unit 4D, the surgical intensive care unit. Actual implementation of the Critical Care Clinical Information Management System called EMTEK occurred in November of 1990. This information system installation has been unique in the following ways:

- The project continues to have broad multidisciplinary support from Medicine, Nursing, Cardiopulmonary Services, Patient Monitoring, Pharmacy, and Laboratories.
- UMHC staff is involved in the development of software applications with the vendor. We have influenced the development of the product.
- It is a first step toward the realization of a computer based patient record and has already demonstrated early benefits in efficiencies and effectiveness in patient care.

We are now requesting an expansion of the project to the medical and pediatric intensive care units, based on the achievement of established criteria in the initial pilot as well as the opportunity for additional, greater benefits. This project will be on the February 26th agenda, at which time we will be requesting your approval.

The enclosed materials provide a summary of the project and the financial expenditures associated with the implementation of this system on the two additional patient care units. The capital expenditure associated with this project is \$950,000 over five years with \$108,000 for installation.

We will be available at the meeting to respond to any questions.

## Overview of the Clinical Information System Project

The bedside clinical information system (EMTEK) is proposed for expansion from its present location on the Surgical Intensive Care Unit to the Medical and Pediatric Intensive Care Units.

**What is EMTEK?** EMTEK is a clinical information management system which not only automates the patient record keeping functions, but creates the data base required to more effectively and efficiently manage patient care in the critical care setting. The clinical information system includes flowsheets, progress notes, results reporting, plan of care, and other charting functions and will include physician order entry. The system communicates to bedside monitoring to automatically acquire physiologic data from instruments such as ventilators and infusion pumps. The system connects to the hospital's laboratory system and integrates result reporting with other clinical data. EMTEK is developed for use in the critical care setting and is a building block for a hospital-wide patient care information system.

EMTEK Health Care Systems Inc. is a subsidiary of Motorola. Motorola provides EMTEK with financial stability and a long term business perspective. EMTEK has brought talented engineers and clinicians together and is committed to quality and customer satisfaction. The working relationship that has been established between EMTEK and staff at Minnesota provides confidence for continuing success in future endeavors.

**What are the EMTEK expansion plans for the Medical and Pediatric Intensive Care Units?** These two patient care units include 15 adult and 14 pediatric intensive care beds. The hardware and software provides workstations at each bedside, centrally at the unit desks, and in residents' and Medical Directors' offices. The costs include the database and system tools for quality improvement and research. The network hardware and software, computer and instrument interfaces, and training resources are included. The implementation will be incremental over three years and provides for tailoring the software (e.g. flowsheets, plan of care) for the clinical practice requirements of each ICU and specific patient populations.

**Why should we expand beyond the original pilot patient care unit?**

- The initial benefits, proposed at the time the pilot was approved, have been demonstrated. This evaluation demonstrated evidence of initial benefits, satisfaction of clinical staff with the system, the clinical functions provided by the system fit our environment, system reliability, vendor performance, and system support for the UMHC mission.
- The EMTEK system provides effective tools for improved staff productivity, cost reductions and cost effective decision making in the clinical setting. The requirements of today's environment emphasize the importance of these tools. An automated charting system with access to real time and historical patient data is consistent with the direction of regulatory, and professional organizations.
- Clinical staff involved with the system on the surgical intensive care unit believe it helps them do their jobs and supports continuous quality improvement in patient care.
- The ability to impact medical practice and care delivery will be significantly enhanced if all three of the contiguous intensive care units are on the same system. Patients and staff do cross units. This system supports our hospital in being a leader in critical care.

**Why now?** The technology, staff and relationships are ready. The current health care environment demands that health care costs be managed to improve patient outcomes and reduce spending. The Medical Directors of the intensive care units believe that their ability to manage patient care with less resources requires a clinical information system such as EMTEK to provide the data to support cost effective decision making at the bedside. In addition, this clinical information system is a tool which supports the work of the entire team; medical, nursing, cardiorespiratory, pharmacy and other disciplines.

**Cost Benefit Summary Medical & Pediatric ICU**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total
<b>Costs:</b>									
Hardware and Software	(950,000)	0	0	0	0	0	0	0	(950,000)
Installation	(108,000)	0	0	0	0	0	0	0	(108,000)
FTE Support	(81,000)	(81,000)	(126,000)	(126,000)	(126,000)	(126,000)	(126,000)	(126,000)	(918,000)
Maintenance	0	0	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)	(750,000)
<b>Total Costs</b>	<b>(1,139,000)</b>	<b>(81,000)</b>	<b>(251,000)</b>	<b>(251,000)</b>	<b>(251,000)</b>	<b>(251,000)</b>	<b>(251,000)</b>	<b>(251,000)</b>	<b>(2,726,000)</b>
<b>Benefits:</b>									
FTE Reductions	0	40,000	140,000	140,000	160,000	160,000	160,000	160,000	960,000
Oper Cost Reduction	0	274,000	274,000	274,000	274,000	274,000	274,000	274,000	1,918,000
<b>Total Benefits</b>	<b>0</b>	<b>314,000</b>	<b>414,000</b>	<b>414,000</b>	<b>434,000</b>	<b>434,000</b>	<b>434,000</b>	<b>434,000</b>	<b>2,878,000</b>
<b>Net Benefit</b>	<b>(1,139,000)</b>	<b>233,000</b>	<b>163,000</b>	<b>163,000</b>	<b>183,000</b>	<b>183,000</b>	<b>183,000</b>	<b>183,000</b>	<b>152,000</b>
<b>Cumulative Internal Rate of Return</b>		<b>-79.54%</b>	<b>-50.58%</b>	<b>-29.95%</b>	<b>-15.67%</b>	<b>-6.73%</b>	<b>-0.80%</b>	<b>3.30%</b>	

**BACKGROUND OF COST BENEFIT ANALYSIS OF  
EXPANSION OF EMTEK TO 4C AND 4E**

Cost

The hardware costs of \$388,000 and software costs of \$562,000 make up the \$950,000 in line one. The installation cost of \$108,000 consists of \$60,000 for site prep, \$45,000 for the network and \$3,000 for access for the medical directors of each unit.

In the line titled "FTE" support the dollars are for a systems administrator and a .8 implementation coordinator during the first two years. A decision support system data manager is added in subsequent years. The decision support system data manager will provide service to both of the new units and the unit brought up a year ago.

The service contract begins in the third year, and is paid on a monthly basis. The contract's cost is 13% of the cost of the hardware and software.

Benefits

The benefits are displayed in two categories. The first is in FTE savings projected from staff efficiencies gained in using the system. These are anticipated to increase over the years as new features are added increasing the utility of the system. These savings are based on our experience with the system installation already in operation on the first unit.

The detail for the annual operating cost reductions of \$274,000 are displayed on the following two pages. In discussions with the medical directors they were able to identify areas where the EMTEK system could support medical decision making in such a way that the utilization of lab tests, ventilator days, oximetry days, drugs and radiology procedures would be reduced between 10% and 15%. The detail then displays the anticipated reduction in charges as well as direct costs. For this analysis we used only direct costs, i.e., actual labor time, reagents, drugs, etc. We continue to track the volume of tests and procedures, adjusted by patient volume, to measure the impact of the system on ordering practices. Our goal is to add an intensive care patient acuity/intensity measure to this analysis so we can incorporate the analysis of patient care outcomes.

Summary

A positive cost benefit analysis of an information systems acquisition is heavily dependent on the anticipation of changes in other systems. In considering the expansion of this clinical information management system there are two significant factors.

- . We have already demonstrated initial benefits in FTE savings; increased accuracy in documentation and calculations; and positive change in ordering practices on the first unit.
  
- . Our medical directors set the projected changes in ordering practice and have taken the first steps to using the technology to incorporate cost effectiveness in the achievement of improved patient outcomes.

2/18/92(13)

## Examples of operating cost reductions

The medical staff has identified a number of projects with potential for improvement in both medical outcome and resource utilization outcome. The following list presents four such projects and a targeted percentage of improvement:

<u>DESCRIPTION</u>	<u>MEDICAL OUTCOME</u>	<u>RESOURCE OUTCOME</u>	<u>TARGET % IMPROVEMENT</u>
1. Risk Stratification to identify short-term ICU stays	<ul style="list-style-type: none"> <li>a. decreased injury from monitoring</li> <li>b. decreased injury from transfusion</li> </ul>	<ul style="list-style-type: none"> <li>a. decreased use of all chemistries</li> <li>b. decreased use of x-ray resources</li> </ul>	15
2. Automated Ventilator Weaning	<ul style="list-style-type: none"> <li>a. decreased ventilator days</li> <li>b. no increase in 24 hr reintubation rate</li> </ul>	<ul style="list-style-type: none"> <li>a. decreased use of blood gases</li> <li>b. decreased ventilator use-days</li> </ul>	10
3. More effective use of oximetry	<ul style="list-style-type: none"> <li>a. decreased low-flow artifact</li> <li>b. decreased anemia artifact</li> </ul>	<ul style="list-style-type: none"> <li>a. decreased number oximetry use-days</li> </ul>	15
4. More effective use of laboratory tests	<ul style="list-style-type: none"> <li>a. decrease in unnecessary medication</li> <li>b. decreased adverse effects of medication</li> </ul>	<ul style="list-style-type: none"> <li>a. decreased use of measurements of coagulation parameters, calcium, liver function tests</li> </ul>	20

**Projected Reductions in Charges and Direct Costs from Changes in Medical Practice  
Supported by the Implementation of the EMTEK System in the  
Medical and Pediatric Intensive Care Units  
February 1992**

**Laboratory for Medical ICU**

	Charges	Reduction	Annual Reduction in Charges	Cost/charge ratio	Annual Reduction in Cost
Chemistry	\$1,322,760	15%	\$198,414	.28	\$55,556
Coags	\$234,476	20%	\$46,895	.27	\$12,662
<b>Total</b>			<b>\$245,309</b>		<b>\$68,218</b>

**Laboratory for Pediatric ICU**

	Charges	Reduction	Annual Reduction in Charges	Cost/charge ratio	Annual Reduction in Cost
Chemistry	\$887,972	15%	\$133,196	.20	\$26,639
Coags	\$477,420	20%	\$95,484	.28	\$26,736
<b>Total</b>			<b>\$228,680</b>		<b>\$53,375</b>

**Ventilator Days**

ICU Ventilator Days	Volume last 12 months	Minimum Daily CRS Charge	Dollars	Target Reduction	Annual Reduction in Charges	Cost per day	Annual Reduction in Cost
Ventilator Days (adults)	1767 days	\$175	\$309,225	10%	\$30,922	\$67.80	\$11,980
Ventilator Days (peds)	1618 days	\$175	\$283,150	10%	\$28,315	\$67.80	\$10,970
<b>TOTAL</b>			<b>\$592,375</b>		<b>\$59,237</b>		<b>\$22,950</b>

**Oximetry Days**

ICU Oximetry Use Days	Volume last 12 months	Daily Charge	Dollars	Target Reduction	Annual Reduction in Charges	Cost per day	Annual Reduction in Cost
Adult Oximetry Days	2021	\$73	\$147,533	15%	\$22,130	\$12.52	\$2,529
Peds Oximetry Days	2310	\$73	\$168,630	15%	\$25,295	\$12.52	\$2,892
<b>TOTAL</b>					<b>\$47,425</b>		<b>\$5,421</b>

**Pharmacy**

ICU	Average Pharmacy charge per pt Day	Average Drug Cost per pt Day	Average Annual Drug Cost	10% reduction in Annual Drug Cost
Medical ICU	\$371	\$166	\$643,828	\$64,382
Pediatric ICU	\$452	\$ 99	\$300,491	\$30,049
<b>TOTAL</b>				<b>\$94,431</b>

**Radiology**

Chest xrays	Annualized total volume	15% reduction in charges	15% reduction in cost
Medical ICU chest xrays	3,487	\$35,897	\$18,307
Pediatric ICU chest xrays	2,225	\$22,905	\$11,682
<b>TOTAL</b>			<b>\$29,989</b>

Summary	Annual Reduction in Costs
Laboratory	\$121,593
Ventilator	\$22,950
Oximetry	\$5,421
Pharmacy	\$94,431
Radiology	\$29,989
<b>TOTAL</b>	<b>\$274,384</b>



PCU 4D  
 JULY-DEC 1991 VS JAN-JUNE 1990 CHARGES

	JAN-JUNE 1990	CHG. PER STAY	CHG. PER DAY	JULY-DEC 1991	CHG. PER STAY	CHG. PER DAY	DIFF. PER STAY	DIFF. PER DAY
NO. PAT.	878			758				
NO. DAYS ON 4D	3259			2959				
R&B	\$1,763,492	\$2,009	\$541	\$1,516,700	\$2,001	\$513	(\$8)	(\$29)
ICU	\$3,524,850	\$4,015	\$1,082	\$2,935,123	\$3,872	\$992	(\$142)	(\$90)
PHARM	\$1,900,466	\$2,165	\$583	\$1,637,282	\$2,160	\$553	(\$5)	(\$30)
M/S/C SUPPLY	\$1,746,061	\$1,989	\$536	\$1,469,497	\$1,939	\$497	(\$50)	(\$39)
LAB	\$3,270,646	\$3,725	\$1,004	\$2,606,052	\$3,438	\$881	(\$287)	(\$123)
DIAG RAD	\$865,390	\$986	\$266	\$903,746	\$1,192	\$305	\$207	\$40
THER RAD	\$4,322	\$5	\$1	\$1,047	\$1	\$0	(\$4)	(\$1)
ER/TR/CLN	\$66,387	\$76	\$20	\$55,053	\$73	\$19	(\$3)	(\$2)
OR	\$3,375,210	\$3,844	\$1,036	\$2,645,235	\$3,490	\$894	(\$354)	(\$142)
DIALYSIS	\$739,279	\$842	\$227	\$966,440	\$1,275	\$327	\$433	\$100
BLOOD ADMIN	\$793,161	\$903	\$243	\$681,679	\$899	\$230	(\$4)	(\$13)
CARD	\$125,663	\$143	\$39	\$112,250	\$148	\$38	\$5	(\$1)
PT/OT/ST	\$13,113	\$15	\$4	\$14,942	\$20	\$5	\$5	\$1
CARDIO/RESP	\$3,178,825	\$3,621	\$975	\$2,477,860	\$3,269	\$837	(\$352)	(\$138)
OTHER THER	\$976	\$1	\$0	\$82	\$0	\$0	(\$1)	(\$0)
OTHER SERV	\$54,032	\$62	\$17	\$29,358	\$39	\$10	(\$23)	(\$7)
BLD BY-PROD	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PHARM TAKE HM	\$223	\$0	\$0	\$754	\$1	\$0	\$1	\$0
SUPP TAKE HM	\$373	\$0	\$0	\$276	\$0	\$0	(\$0)	(\$0)
OTHER PROFEE	\$263,914	\$301	\$81	\$170,561	\$225	\$58	(\$76)	(\$23)
DIAG RAD-PF	\$374,176	\$426	\$115	\$409,027	\$540	\$138	\$113	\$23
THER RAD-PF	\$3,414	\$4	\$1	\$1,100	\$1	\$0	(\$2)	(\$1)
CARD.-PF	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LAB/PATH-PF	\$146,915	\$167	\$45	\$93,440	\$123	\$32	(\$44)	(\$14)
TOTAL	\$22,210,888	\$25,297	\$6,815	\$18,727,504	\$24,706	\$6,329	(\$591)	(\$486)
TOTAL EXCL. PF & TAK	\$21,421,871	\$24,398	\$6,573	\$18,052,346	\$23,816	\$6,101	(\$583)	(\$472)

Note: 1990 charges have been inflated to 1991-92 level

**UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC**

**CAPITAL EXPENDITURES  
7-1-91 THRU 12-31-91**

	BUDGET	ROLLFORWARD FROM 6-30-91	TOTAL	6-MONTH BUDGET	6-MONTH ROLLFORWARD	TOTAL	91-92 ACTUAL	90-91 ROLLFORWARD	TOTAL
<b>RECURRING EQUIP &amp; REMOD</b>									
<b>EQUIPMENT PURCHASES</b>									
91-92 BUDGET	\$6,818,850		\$6,818,850	\$3,400,000		\$3,400,000	\$2,817,782	\$0	\$2,817,782
ROLLFORWARD		\$4,871,763	\$4,871,763		\$2,435,000	\$2,435,000	\$0	\$644,203	\$644,203
	\$6,818,850	\$4,871,763	\$11,690,613	\$3,400,000	\$2,435,000	\$5,835,000	\$2,817,782	\$644,203	\$3,461,985
<b>REMODELING PROJECTS</b>									
91-92 BUDGET	\$1,692,150		\$1,692,150	\$850,000		\$850,000	\$137,654		\$137,654
ROLLFORWARD		\$1,446,000	\$1,446,000		\$723,000	\$723,000		\$365,440	\$365,440
	\$1,692,150	\$1,446,000	\$3,138,150	\$850,000	\$723,000	\$1,573,000	\$137,654	\$365,440	\$503,094
	\$8,511,000	\$6,317,763	\$14,828,763	\$4,250,000	\$3,158,000	\$7,408,000	\$2,955,436	\$1,009,643	\$3,965,079
<b>PRINCIPLE PAYMENTS</b>									
LAB CHEMICAL ANALIZERS	\$126,841		\$126,841	\$62,024		\$62,024	\$54,542		\$54,542
CT SCANNER	\$71,575		\$71,575	\$71,575		\$71,575	\$71,575		\$71,575
COMPUTER EQUIP	\$139,517		\$139,517	\$92,188		\$92,188	\$92,188		\$92,188
MRI 2	\$462,648		\$462,648	\$227,035		\$227,035	\$227,036		\$227,036
	\$800,581		\$800,581	\$452,822		\$452,822	\$445,341		\$445,341
<b>TOTAL:</b>	<b>\$9,311,591</b>		<b>\$15,629,344</b>	<b>\$4,702,822</b>		<b>\$7,660,822</b>	<b>\$3,400,777</b>		<b>\$4,410,420</b>

**BOND PAYMENTS:** \$2,490,000 (PAYMENTS DUE FEB. 1, 1992)

	UMHC FUNDS FROM RESERVES	ADDITIONAL FUNDS FROM OTHER SOURCES	TOTAL BUDGET	1st QUARTER	2nd QUARTER	CURRENT &
				EXPEND.	EXPEND.	PRIOR YEAR(S)
				1991-92	1991-92	EXPENDITURES
(1) ARCHITECT FEES PH II				\$104,166	\$274,038	\$1,451,469
(1) OFFSITE RELOC.						\$10,516
(1) AUTOPSY	\$415,000		\$415,000	\$86,365	\$32,933	\$302,413
(1) OB INPT. (TEMP)	\$370,000		\$370,000	\$119,782	\$43,721	\$316,732
BMT/ICU 4F	\$100,000		\$100,000	\$1,874	\$1,689	\$89,300
BONE MARROW TRAN. EXP.	\$220,000		\$220,000	\$8,900	\$116,071	\$128,437
NEURO-ANGIOGRAPHY SYST	\$1,900,000		\$1,900,000	\$1,345,114	\$73,928	\$1,449,042
CUHCC	\$1,800,000	\$550,000	\$2,350,000	\$15,036	(\$15,306)	\$2,222,764
COMPUTER UPGRADE	\$4,348,000		\$4,348,000	\$28,338	\$209,219	\$977,995
AF15 SOFTWARE LICENSE	\$783,000		\$783,000	\$782,157		\$782,157
HEART CATH ROOM	\$3,100,000		\$3,100,000		\$1,515,073	\$1,528,182
<b>TOTAL</b>	<b>\$13,036,000</b>	<b>\$550,000</b>	<b>\$13,586,000</b>	<b>\$2,491,733</b>	<b>\$2,251,367</b>	<b>\$9,259,007</b>

1.) THESE PROJECT 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*

March 20, 1992

**TO:** Planning and Development Committee Members

Leonard Bienias  
Robert Dickler  
Albert Hanser  
Greg Hart  
Clint Hewitt

Terrance Hill  
William Jacott, M.D.  
Peter Lynch, M.D.  
Ted Thompson, M.D.

**FROM:** David Lentz

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

Wednesday, March 25, 1992  
11:00 A.M. - 1:00 P.M.  
The Board Room, University Hospital

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

cc: Fred Bertschinger  
Giles Caver  
Cliff Fearing  
Mark Koenig  
John LaBree, M.D.  
Shannon Lorbiecki

PLANNING AND DEVELOPMENT COMMITTEE  
THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
BOARD OF GOVERNORS  
Wednesday, March 25, 1992  
11:00 A.M. - 1:00 P.M.  
The Board Room (8-106), University Hospital

AGENDA

			<u>Page</u>
I.	<u>Approval of the February 26, 1992 Meeting Minutes with Finance Committee</u>	Approval	1
II.	<u>Strategic Planning Update</u> -Robert Dickler	Discussion	
III.	<u>Quarterly Purchasing Report/Value Analysis</u> -Mark Koenig	Endorsement/ Consent	4
IV.	<u>Oncology Marketing Campaign</u> - Robert Dickler	Information	
V.	<u>Riverside Medical Center</u> - Greg Hart	Information	
VI.	<u>Renewal Project Update</u> - Robert Dickler	Information	
VII.	<u>Development Office Update</u> -Fred Bertschinger	Information	11
VIII.	<u>UMCA Update</u> -Peter Lynch, M.D.	Information	
IX.	<u>Other Business</u>		
X.	<u>Adjournment</u>		

THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
BOARD OF GOVERNORS FINANCE COMMITTEE and  
PLANNING & DEVELOPMENT COMMITTEE  
February 26, 1992

MINUTES

**ATTENDANCE:**

Finance:	Robert Dickler Clifford Fearing Leo Furcht, M.D. Maria Gomez Nellie Johnson Arthur Kydd Margaret Matalamaki John Morrison Vic Vikmanis	P&D:	Leonard Bienias S. Albert Hanser Greg Hart Clint Hewitt Terrance Hill Dr. William Jacott Dr. Ted Thompson Dr. Peter Lynch
Staff:	Giles Caver Nels Larson Shannon Lorbjecki Joanne Disch Sharon Weiss	Guests:	Dr. Frank Cerra Al Dees Dr. Tom Green Helen Pitt Dr. Ted Thompson

**CALL TO ORDER:**

The joint meeting of the Finance Committee and Planning & Development Committee was called to order by Nellie Johnson, Finance Committee Chairperson, on February 26, 1992 at 10:30 A.M.

**APPROVAL OF THE MINUTES:**

The Board of Governors Finance Committee seconded and passed a motion to approve the Finance Committee minutes of the January 22, 1992 meeting as written.

**JULY 1, 1991 THROUGH JANUARY 31, 1992 FINANCIALS:**

Mr. Cliff Fearing reported to the Finance Committee the month of January inpatient admissions totaled 1,553 which was 42 below budget; average length of stay was 7.8 days or 0.2 days below budget; patient days totaled 11,864 which were 864 days below budget. The January average daily census was 383, which was below the budgeted level of 411. Clinic visits for the month of January were reported to be 1.9% above budget.

The Hospital's year-to-date Statement of Operations showed expenses being greater than revenues by \$3,107,000, an unfavorable variance of \$6,752,000. Gross patient revenue was 3.2 below budget and operating expenditures through January were reported to be 2.9% below budget.

As of January 31, the balance of accounts receivable totaled \$106,021,000 and represented 102.2 days of revenue outstanding.

The Hospital's overall operating position shows a loss for the month and year-to-date. The over all loss for fiscal year 1991-92 is currently at \$3,100,000. We are on target in bringing about a balanced budget for the fourth quarter of 1991-92.

#### **MAJOR CAPITAL EXPENDITURE:**

##### EMTEK System Upgrade

Helen Pitt introduced Dr. Frank Cerra, Medical Director of Surgical ICU, and Dr. Tom Green, Medical Director Pediatric ICU, as guests at today's joint meeting of the Board of Governors Finance and Planning & Development Committees.

Ms. Pitt reported to the Committee, for endorsement, a proposal to expand the Critical Care Clinical Information Management System called EMTEK to include the medical and pediatric intensive care units at a capital cost of \$1,058,000.

Dr. Cerra and Ms. Pitt presented a worksheet of projected reductions in charges and direct costs from changes in medical practice supported by the implementation of the EMTEK System in the Medical and Pediatric Intensive Care Units. Ms. Pitt also presented a cost benefit analysis and summary for the proposed expansion. Some of the benefits highlighted were: reduction in FTEs due to increase in staff efficiencies; increased accuracy in documentation and calculations; projected annual operating cost reductions of \$275,000; and reduction in utilization of lab tests, ventilator days, oximetry days, drugs and radiology procedures by 10% to 15% thus reducing charges as well as direct costs.

The Finance Committee seconded and passed a motion to endorse the proposal to expand the EMTEK System to include the medical and pediatric intensive care units at a capital cost of \$950,000 over five years with an additional \$108,000 for installation.

#### **QUARTERLY CAPITAL EXPENDITURES REPORT:**

Greg Hart presented to the Committee, for information only, the Second Quarterly Capital Expenditure Report for fiscal year 1991-92.

Mr. Hart reported that the actual capital expenditure for the year-to-date, including items that were rolled forward from 1990-91, was \$3,965,079. Comparing that amount to the seasonalized budget, the Hospital has underspent the capital budget by \$3,442,921.

#### **INTERSTATE MEDICAL CENTER:**

Robert Dickler presented to the Committee, for endorsement, the proposed 1992 budget and compensation plan for the new Interstate Medical Center (IMC). The new non-profit corporation is incorporation under the name of Interstate Medical Center.

The Interstate Medical Center Board of Directors, Robert Dickler, Cliff Fearing, Al Hanser, Dr. Tom Witt, Dr. Robert Schulenberg, and Ellen Dunn, approved this budget and compensation plan at their first board meeting on February 21, 1992. Mr. Dickler stated that the acquisition of IMC provides a significant opportunity for the University and UMHC provide greater opportunities for education, research, and service to the Greater Minnesota community and the Red Wing region. Mr. Dickler also presented to the Committee for its consideration a Comparative Summary Income Statement, a Projected Balance Sheet, and a Statement of Cash Flows for IMC.

Mr. Dickler commended Mr. Fearing, Mr. Dunder and Dr. Ted Thompson for their efforts leading to this acquisition.

The Finance Committee seconded and passed a motion to endorse the proposed 1992 budget and compensation plan, and financial statements, for the new Interstate Medical Center.

**RENEWAL PROJECT UPDATE:**

Mr. Dickler presented to the Committee, for information only, an update on the University Hospital Renewal Project.

Due to a decline in UMHC's inpatient activity over the past three years, a less expensive plan for facility modification is being developed and should cost considerably less than the approved \$37.5 million. The new plan would involve renovation of existing units in both the main hospital and the Mayo building for the Psychiatry programs. Urology would be accommodated in the existing ambulatory surgery center by expanding the main operating rooms to support both inpatient and ambulatory surgery in accord with the existing plan. Proposed department changes and upgrades for Physical Medicine & Rehabilitation and Obstetrics would be done within existing space or considered for outside joint ventures.

A modified plan of the Renewal Project will be presented to the Committee by April.

There being no further discussion, the February 26, 1992 meeting was adjourned at 2:05 P.M.

Respectfully submitted,

  
Sharon Weiss  
Recording Secretary

# UNIVERSITY OF MINNESOTA

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*The University of Minnesota Hospital and Clinic*

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

March 20, 1992

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

Attached please find the quarterly purchasing report for the periods October - December, 1991. This report will be reviewed at the March Committee Meeting. We would also recommend that the committee may recommend this item for the Board of Governor's consent agenda.

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

/gs

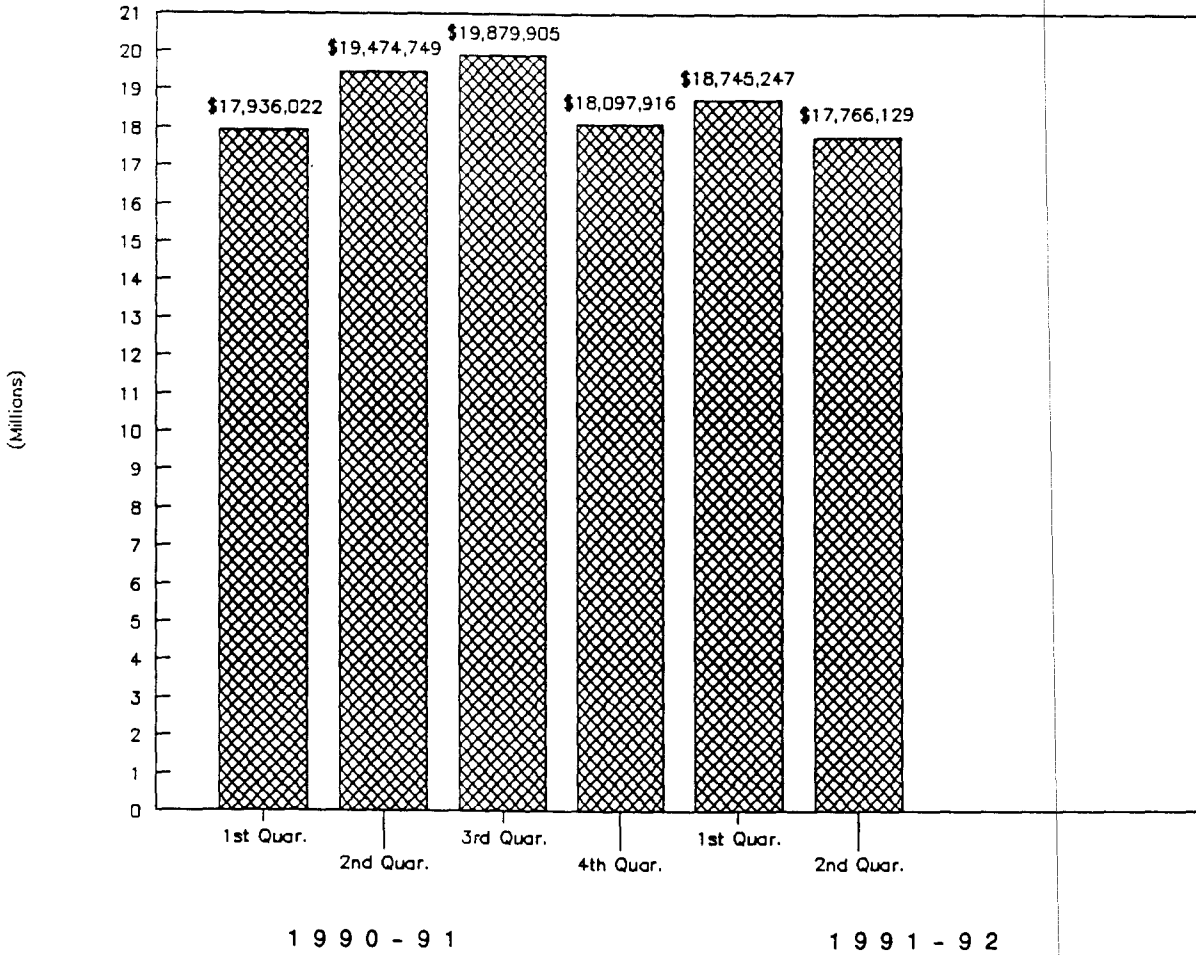
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UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
ADMINISTRATIVE REPORT ON PURCHASING ACTIVITY  
PERIOD OF OCTOBER - DECEMBER 1991

- 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 1991-92, ACTIVITY:

	<u>NUMBER</u>	<u>VALUE</u>
PURCHASE ORDERS	7672	\$15,427,623.64
OTHER PAYMENTS	323	\$1,580,449.64
CONFIRMING ORDERS	<u>338</u>	<u>\$758,055.63</u>
<b>TOTAL THIS QUARTER</b>	<u><b>8,333</b></u>	<u><b>\$17,766,128.91</b></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. Introducers	Medline \$ 15,158.40	Medix/3M \$ 16,144.00	Materials
	The product does not adhere to the degree necessary to provide maximum wound closure.		
2. Dressing, Kerlex 4" x 4"	Sherwood \$ 38,844.00	Kendall \$ 45,360.00	Materials
	The product has a loose weave which results in less stretch, and therefore poor wrapping potential. Also the fraying ends of the dressing could contaminate the wound and lead to infection.		

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

<u>VENDOR</u>	<u>CONTRACT/PO</u> <u>P.O. #</u>	<u>VALUE</u>	<u>DEPT.</u>	<u>PRODUCT</u>
Danek	91-603	Open	O.R.	Spinal Implants
Target Therapeutics	H121889	\$8,355.00	Radiology	Guidewires & Trachs
Balt Extrusion	H121888	\$14,428.00	Radiology	Guidewires & Trachs
U.S. West	H119359	\$46,332.00	Pl. & Mktg.	Advertising
Bentley Labs	91-573	\$12,030.00	Labs	Anti Coag & Aspiration Assays
Vitek Systems	91-585	\$48,762.60	Labs	Kits
Sanofi Diagnostics	91-590	\$10,869.80	Labs	Kits
MN Department of Health	H121673	\$13,000.00	Labs	Neonatal Screening Forms
Northern X-Ray	H444748	\$19,200.00	Radiology	Reassemble CGR
Micro Vena	H444758	\$6,650.00	Radiology	Catheters
Peripheral	H444759	\$14,160.00	Radiology	Atherocath
North Central Instruments	H121651	\$6,809.00	Labs	Rotary Microtome
Philips Medical	H121663	\$16,568.00	Radiology	Monitor Suspension Upgrade
SW Biomedical Electronic Inc	H119339	\$13,500.00	Cardio-Resp	Bedside Monitors
Interventional Therapeutics	H446630	\$15,209.00	Radiology	Catheters
Smith & Nephew	92-73	Open	Pharmacy	Pharmaceuticals
Synthes Max	91-623	Open	O.R.	Implantable Maxillofacial Products
Advanced Tech Labs	H122627	\$6,900.00	Radiology	Ultra Mark 9 System Upgrade
* Keomed	H122630	\$252,760.00	Cardio-Resp	Anesthesia Gas Machines
Cobe Gambro Hospal	H122646	\$41,500.00	Labs	Apheresis System
Vittek System	H122665	\$37,000.00	Labs	Immunodiagnostic Assay System
Medical Alliance	H122672	\$47,000.00	Cardio-Resp	Ventilator
Dictaphone	H122669	\$49,340.00	Med Records	Dictating Equipment Upgrade
* Quantum Industries	H123117	\$75,000.00	Bio Med	Upgrade to PTS
Data Stream Systems	H123120	\$6,485.00	Mnt & Op	Software Maintenance Management System
Johnson & Johnson	H600030	\$11,120.00	Radiology	Stent
Iolab	H600079	\$16,680.00	Radiology	Stent
* Lexi Comp	H123277	\$67,925.00	Labs	Computerized Lab Handbooks

Microvena  
Biomet

H600040  
92-90

\$16,165.00  
Open

Radiology  
O.R.

Catheters  
Implantable Ortho  
Products

TOTAL

\$873,748.40

\* Over \$50,000

IV. VENDOR APPEALS

1. VENDOR NAME/DOLLAR AMOUNT: Surgilase/\$49,500.00  
NATURE OF PURCHASE: CO2 Laser  
INTENDED VENDOR/DOLLAR AMOUNT: Preferred Surgical/\$50,675.00

REASON FOR APPEAL:

Although vendor appeared low bid it was necessary to add components at additional costs to make a comparison to other bids submitted. Vendor contended we did not consider an extra component included in their bid. Upon re-calculation with exact component parts compared and all extra accessories removed, Surgilase was higher at \$48,350.00 versus Preferred Surgical at \$47,975.00.

STATUS: Award made to Preferred Surgical

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 17, 1992  
TO: Planning and Development Committee  
FROM: Fred Bertschinger *FB*  
SUBJECT: Development Office Quarterly Report

Attached for your information are summary reports of activities and donations received during the second quarter of FY 1992.

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

/ng

Activities and Events  
UMHC Development Office  
FY 1992

1992

- July 1 Begin preparation of articles and reports for the Annual Report to Donors.
- July 10 CWA Local 7200/US WEST Direct, Transplant Assistance Fund Campaign, Kickoff.
- July 30 Plan for Childrens Audio Arts project.
- August 1 Begin CWA Local 7200/US WEST solicitors tours and luncheons.
- August 28 Plan new efforts for solicitation of prospects and former donors by University of Minnesota Foundations Annual Giving Staff.
- September 10 CWA Local 7200/US WEST, Transplant Assistance Fund Kickoff.
- September 13 Mark Skogquist Memorial Golf Tournament to benefit leukemia research.
- October 1 Commodores Chorus Recognition Luncheon and presentation of check for \$6,300 for special heart research equipment.
- October 4 Direct mail solicitation of prior year donors for Annual Campaign
- October 19 UMHC Auxiliary Gala Event at International Market Square to benefit the Auxiliary's Shelter Fund. Proceeds approximately \$50,000.
- October 25 Mark Skogquist Memorial Golf Tournament checks presentation at Soo Line offices. Proceeds of \$4,578 for leukemia research.
- November 9 University of Minnesota Presidents Club annual meeting. UMHC Auxiliary recognized as a new member of the Trustees Society (more than \$100,000 in total contributions).
- November 14 National Philanthropy Day and awards luncheon.
- November 20 Toys-R-Us representatives site visit for their Kids Playroom program.
- November 23 Variety Club Association's Toyland Auction fund-raising event.
- December 6 Direct mail solicitation of employees and staff for Annual Campaign.



Page two

1992

- January 15 CWA Local 7200/US WEST Transplant Assistance Fund Campaign check presentation. Donations of \$30,500 and matching gifts of \$25,500 for total of \$56,000.
- January 28 Toys-R-Us representatives second site visit.
- February 12 Telemarketing begins to former donors by students at University of Minnesota Foundation.
- March 9 Planning committee meeting for Clinical Pastoral Education program with Lutheran Social Services.
- March 11 Planning meeting for 1992 CWA Local 7200/US WEST Transplant Assistance Fund Campaign.

Contributions Received  
 UMHC Development Office  
 FY 1992

	I 7-9/91	II 10-12/91	III 1-3/92	IV 4-6/92	Totals	Goals
Patients Fund	\$ 2,199	\$ 6,287			\$ 8,486	\$ 9,000
Transplant Asst Fund	7,454	9,608			17,062	46,000
Variety Club Pldg	189,300	3,175			192,475	700,000
Other Funds	200,516	133,983			334,499	445,000
<b>Totals</b>	<b>\$399,469</b>	<b>\$153,053</b>			<b>\$552,522</b>	<b>\$1,200,000</b>

Irrevocable Future Gifts	0		0			4
Revocable Future Gifts	0		1			4

**PLANNING AND DEVELOPMENT COMMITTEE**  
**THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC**  
**BOARD OF GOVERNORS**  
**Wednesday, April 22, 1992**  
**11:00 a.m. - 12:30 p.m.**  
**The Bridges Conference Room (8-140), University Hospital**

**AGENDA**

			<u>Page</u>
I.	<u>Approval of the March 26, 1992 Meeting Minutes</u>	Approval	1
II.	<u>Strategic Planning Update</u> -Robert Dickler	Information	
III.	<u>Renewal Project</u> -Robert Dickler	Information	5
IV.	<u>BMT Program - stem cell project</u> -Greg Hart	Information	10
V.	<u>Major Capital Expenditure Reports</u>		
	A. Surgical Laser	Information/ Consent	25
	B. MRI Upgrade Diagnostic Radiology -Greg Hart	Information/ Consent	26
VI.	<u>Committee Work Plan</u> -David Lentz	Discussion	27
VII.	<u>UMCA Update</u> -Peter Lynch, M.D.	Information	
VIII.	<u>External Relations</u> -Robert Dickler	Information	
IX.	<u>Other Business</u>		
X	<u>Adjournment</u>		

Lunch will be served at 12:30 p.m. in the Bridges Conference Room.

MINUTES  
Planning and Development Committee  
Board of Governors  
March 26, 1992

Attendance:	Present:	Leonard Bienias Robert Dickler S. Albert Hanser Greg Hart Clint Hewitt Terrance Hill John LaBree, M.D. David Lentz Peter Lynch, M.D. Ted Thompson, M.D.
	Absent:	William Jacott, M.D.
	Staff:	Fred Bertschinger Giles Caver Mark Koenig
	Guests:	Mary Sumpmann Lou Vietti

CALL TO ORDER

Mr. David Lentz called the meeting to order at 11:10 a.m.

APPROVAL OF MEETING MINUTES

The minutes of the joint meeting of the Finance Committee and Planning and Development Committee on February 26, 1992 were approved as submitted.

STRATEGIC PLANNING UPDATE

Mr. Robert Dickler provided an update regarding the Hospital's joint strategic planning process with the Medical School. Mr. Dickler said the external consulting team was completing the first of three phases. The first phase entailed several weeks of intense data collection and processing and included extensive interviews with UMHC administrators and medical staff, as well as interviews with other hospital administrators, physician group practice leaders, and health insurers.

Mr. Dickler said the consulting team will organize a retreat on Saturday, March 28 for the Executive Coordinating Committee and other select Hospital administrators and medical staff members. The retreat will focus on the Hospital and Medical School's strategic challenges and alternatives. The process itself should be completed by August 1992.

Mr. Dickler said he will provide another update regarding the strategic planning process at the April 1992 meeting.

#### QUARTERLY PURCHASING REPORT AND VALUE ANALYSIS

Mr. Mark Koenig presented the quarterly purchasing report for October-December 1991. Total purchase order activity was \$17,766,129. This amount represents a decline from July-September 1991 and reflects the general decline in patient volume.

Mr. Koenig also introduced Mr. Lou Vietti who presented a description and the results of the Value Analysis Program. Mr. Vietti said the program helps identify potential savings in non-salary expenses by assessing the cost, performance, patient need, and value to the Hospital of various purchase items. During the first year of the program, over \$1.6 million in savings was identified.

#### ONCOLOGY MARKETING CAMPAIGN

Mr. Robert Dickler introduced Ms. Mary Sumpmann, director of the Hospital's Cancer Center. Ms. Sumpmann presented the Cancer Center's marketing campaign as a vehicle to increase market share in oncology. The marketing campaign includes direct mailing, educational programs, and a telephone information hot-line, as well as television, radio, and print media advertisement.

#### RIVERSIDE MEDICAL CENTER

Mr. Greg Hart presented an update regarding the Hospital's proposed transfer of neonatal intensive care services to Riverside Medical Center. Riverside has more obstetrical deliveries than any other local hospital, but it lacks a Level 3 NICU. The Hospital has a Level 3 NICU but does not have many obstetrical deliveries. Mr. Hart said physicians and administrators at the Hospital and Riverside are meeting and discussing issues regarding financing, operations, medical affairs, and human resources.

Mr. Hart also said he hopes to present a proposal to the Committee this summer.

## RENEWAL PROJECT UPDATE

Mr. Robert Dickler presented an update regarding the Renewal Project. Mr. Dickler said the plans for the Renewal Project are being down-sized by about \$12 million. He also said the Hospital was proceeding with plans to upgrade facilities for psychiatry and urologic surgery.

Mr. Dickler said he hopes to present a revised time schedule and budget for the Renewal Project at the next Committee meeting.

## DEVELOPMENT OFFICE UPDATE

Mr. Fred Bertschinger presented an update regarding Development Office activity. Mr. Bertschinger said the Development Office has sponsored several fund-raising activities during the past several months and intends to sponsor several more during 1992.

Mr. Bertschinger also presented an financial update for the Development Office. With a fund-raising goal of \$1.2 million for Fiscal Year 1991-92, the Development Office generated donations of \$552,522 during July-December 1991.

## UMCA UPDATE

Dr. Peter Lynch provided an update regarding UMCA's contracting activities. Dr. Lynch said UMCA is pursuing new contractual agreements with Preferred One and Ethix, and is close to finalizing an agreement with Medica to provide primary care services to any and all state employees.

Dr. Lynch also said UMCA is crafting a bid with other providers and insurers to provide tertiary care services to the Business Health Care Action Group, a coalition of 14 of the largest employers in Minnesota.

## OTHER BUSINESS

Mr. Robert Dickler provided an update regarding other business items. Mr. Dickler said he, Mr. Cliff Fearing, and Mr. Al Hanser had had several board meetings at Interstate Medical Center in Red Wing. These meeting have focused on issues related to budgeting, strategic planning, and facilities planning.

Mr. Dickler also said the Minnesota health care access bill is quickly passing through House and Senate committees and will probably become law next month. Mr. Dickler said the bill might affect current Hospital projects, and he is preparing documentation to support current activities.

Finally, Mr. Dickler said Dr. Phil McGlave will begin working on a new bone marrow stem cell project and will require Hospital funding. Mr. Dickler reported that due to some timing and space imperatives, facility remodeling for the project has already been initiated. A full proposal for the project will be brought forward in one or two months.

#### ADJOURNMENT

There being no further business, the Planning and Development Committee meeting was adjourned at 12:46 p.m.

Respectfully submitted,



Giles Caver  
Administrative Fellow

# UNIVERSITY OF MINNESOTA

*The University of Minnesota Hospital and Clinic*

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

April 16, 1992

TO: Members, Planning and Development Committee

FROM: Robert Dickler *RD*  
Hospital Director

SUBJECT: Renewal Project

At the February meeting of the Board of Governors we described the reconfiguration of the Renewal Project in general terms, noting in particular that we are proposing that we not proceed with the two floor addition to Unit J. We are providing the Board of Governors with more detail on the reconfiguration of the project this month.

Attached is information describing the components of the project, the previous and new budgets for each of the components, and a schedule for the project. As you can see, we are now budgeting a total of \$23.0 million for the project, compared to the previously approved \$37.6 million.

In addition to discussing the specific parameters of the project, the Board may wish to discuss what process it wishes to use for ongoing assessment and monitoring of the various elements of the project.

I look forward to our discussion next week.

/kj

attachments



## RENEWAL PROJECT RECONFIGURATION

### Psychiatry

New construction on top of Unit J will not occur. The Department of Psychiatry is in the preliminary stages of reconfiguring its programs based on an estimated bed capacity of 50 beds. One Unit J Med Surg Unit will be converted into a 18-24 bed high acuity Psych Unit. An existing Psych Unit on Mayo 6 will be renovated to accommodate 16-18 Chem Dep/Eating Disorder/Depression beds. A 12-14 bed Child Adolescent Unit will be accommodated in a yet undetermined location on the 5th or 6th floor of Mayo. Revised planning for Psych Day Hospital, Clinic and offices will soon be initiated. It is assumed these functions will be relocated to the 5th or 6th floor of Mayo at budget levels similar to previous commitments. The timetable for inpatient renovation is approximately 18-24 months. Approximately \$50,000 has been spent to date on interim upgrades. The aggregate budget for renovations is \$5.6 - 7 million.

### Inpatient Rehab

A study is underway to determine if a segment of a Unit J Med Surg Unit can be renovated to accommodate approximately 10 inpatient Rehab beds. Relocation of Rehab beds to Unit J presents significant bed allocation and remodeling challenges which are currently being researched as part of this study. The previous budget of \$.5 million is used here but may need to be revised.

### Rehab Therapies

Both Adult and Pediatric Rehab therapies will consolidate on renovated Mayo 4 in revised planning. A preliminary estimate of renovation cost is \$1 million. Some flexibility exists in contingency funds if a higher budget is justified.

The Adult Rehab satellite project planned for Unit J is currently underway. Peds Rehab Therapy satellite in Unit J is complete.

### OB

Potential relocation of OB to Unit J is on hold pending the outcome of the discussion with Riverside Medical Center on merging OB programs.

### OR Expansion/Urology Clinic/Cystoscopy/Ambulatory Surgery Same Day Admit Program

The expansion of 4 OR's in Unit J along with associated Post Anesthesia Care Unit renovation will move forward as planned. This expansion and renovation will accommodate the consolidation of

Page 2

Ambulatory Surgery (currently in the PWB building) with the inpatient OR's and Post Anesthesia Care Unit at an approximate cost of \$2.25 million.

The vacated Ambulatory Surgery space (in PWB) will be remodeled to house Cystoscopy and Urology Clinic. The admitting, assessment and waiting functions associated with Ambulatory Surgery will be accommodated on the Short Stay Unit which will occupy renovated space on Masonic 1 and/or 2. Current cost estimate for Short Stay Unit relocation and Urology Clinic/Cystoscopy renovation is \$2.25 million.

#### Pharmacy

Pharmacy renovation planning is currently underway with an estimated cost of \$.75 million.

#### Autopsy

Autopsy renovation is completed.

#### Mayo Upgrade

A \$4 million budget for Mayo upgrading will remain intact to accommodate HVAC upgrade in Mayo and address life safety issues.

#### Faculty Office Renovation

The original commitment of space and \$1.5 million for faculty office renovation remains valid. Approximately \$50,000 has been spent to date on NICU offices.

REVISED RENEWAL PROJECT BUDGET

4/16/92

PROJECT ELEMENT	PREVIOUS LOCATION	PREVIOUS BUDGET	PROPOSED LOCATION	PROPOSED BUDGET	REMAINING EXPENSES
SHELL SPACE	UNIT J 9	\$5.62		\$0.00	\$0.00
PSYCH INPATIENT	UNIT J 10	\$16.40	UNIT J 7	\$1.50	\$1.50
PSYCH INPATIENT			MAYO 6 & 5	\$3.00	\$3.00
PSYCH CLINIC	MAYO 4/6	\$0.50	MAYO 6 & 5	\$0.50	\$0.50
PSYCH DAY HOSP	MAYO 3/6	\$0.57	MAYO 6 & 5	\$0.57	\$0.57
PSYCH OFFICES	MAYO 3/6	BELOW	MAYO 6 & 5	BELOW	BELOW
PSYCH TEMP FIX	MAYO 6	\$0.10	MAYO 6	\$0.10	\$0.05
REHAB INPATIENT	REHAB 4	\$0.50	UNIT J ?	\$0.50	\$0.50
REHAB THERAPY	MAYO 4	\$1.96	MAYO 4	\$1.00	\$1.00
REHAB THER SAT	UNIT J ?	\$0.24	UNIT J	\$0.24	\$0.18
OB INPT (TEMP)	MAYO 5/6	\$0.37	MAYO 5/6	\$0.37	DONE
OB INPT (FINAL)	UNIT J 5D	\$0.75		\$0.00	HOLD
OR EXPAN-AMB SURG	UNIT J 3	\$1.97	UNIT J	\$2.00	\$2.00
AMB SURG SUPPORT	UNIT J / MAS	\$0.25	UNIT J/MAS	PACU RENO	PACU RENO
SHORT STAY UNIT			MAS 1 & 2	\$1.50	\$1.50
UROLOGY CLINIC	PWB 1	\$0.10	PWB 1	\$0.25	\$0.25
UROLOGY CYSTO	PWB 1	\$0.45	PWB 1	\$0.50	\$0.50
UROLOGY TEMP FIX	MAYO 5	\$0.10	MAYO 5	\$0.10	\$0.10
UROLOGY OFFICE	MAYO 5	BELOW	MAYO 5	BELOW	BELOW
PACU RENOVATION			UNIT J 3	\$0.25	\$0.25
PHARMACY		\$0.60	KE 1	\$0.75	\$0.75
AUTOPSY	MAYO	\$0.40	MAYO	\$0.40	DONE
MAYO CODE/ ASBES	MAYO	\$2.00	MAYO	\$2.50	\$2.50
MAYO SYS UPGRADE	MAYO	\$2.00	MAYO	\$2.50	\$2.50
MAYO MISC RENO	MAYO	\$0.14	MAYO	\$0.70	\$0.70
RELOCATION COST	VARIOUS	\$1.10	VARIOUS	\$1.00	\$1.00
FACULTY OFFICE	VARIOUS	\$1.50	VARIOUS	\$1.50	\$1.45
PROJ CONTINGENCY				\$0.50	\$0.50
TOTAL		\$37.62		\$22.23	\$21.30

# RENEWAL PROJECT RECONFIGURATION

	1992								1993												1994																		
	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	JULY												
UNIT J SURGERY/OR	D	D	D	D	B	B	B	B	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C												
UROLOGY CYSTO									P	P	P	D	D	D	D	D	D	D	D	D	D	D	B	B	B	C	C	C	C	C	C	C	C	C	C	C	C	C	C
SHORT STAY CENTER	P	P	P	D	D	D	D	D	D	D	D	D	D	B	B	B	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C		
PACU	P	P	P	P	D	D	D	D	D	D	D	D	D	B	B	B	B	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	
C.D.C.		D	D	D	D	D	B	B	B	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C		
REHAB THERAPY: MAYO		P	P	D	D	D	D	D	D	D	D	D	D	D	D	D	B	B	B	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	
REHAB INPATIENT: UNIT J		P	P	D	D	D	D	D	D	D	D	D	D	B	B	B	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	
REHAB SATELLITE																																							
UNIT J PSYCH		P	P	P	D	D	D	D	D	D	D	D	D	D	D	D	B	B	B	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	
MAYO PSYCH		P	P	P	P	P	D	D	D	D	D	D	D	D	D	D	B	B	B	B	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C
PHARMACY	P	D	D	D	D	D	D	B	B	B	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	
FACULTY OFFICES																																							
MAYO SYSTEMS UPGRADE																																							

KEY  
 P = PROGRAMMING  
 D = DESIGN  
 B = BID AND AWARD  
 C = CONSTRUCTION

# UNIVERSITY OF MINNESOTA

*The University of Minnesota Hospital and Clinic*

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

April 16, 1992

TO: Members, Planning and Development Committee

FROM: Robert Dickler  
General Director

SUBJECT: Bone Marrow Transplant Program - Stem Cell Project

Enclosed please find a narrative proposal for enhancement of our Bone Marrow Transplant (BMT) program through development and clinical application of stem cell technology. The BMT program is one of our most highly regarded and largest revenue producing programs. The stem cell project has the promise of moving the BMT project forward to another level of regional and national prominence.

The stem cell project is complex from a number of perspectives. Because of its complexity, we will be dividing the Board presentation into two segments over the next two months. This month we will present the basic outline of the proposal, focusing on what this technology is and why it will be important to the future of the BMT program. Dr. McGlave will make a presentation toward this end at the full Board meeting, with additional introductory information being presented at the Finance and Planning and Development Committee meetings. Next month we will focus more on the business and financial aspects of the proposal, and will request Board approval of the project.

It is probable that we will view this project as both an enhancement of a major patient care program and an investment in development of a proprietary technology. The latter context is relatively new for UMHC and should be an element of the Board discussion. Because we envision a number of technology development opportunities of this nature, we would recommend that the Finance Committee and the Planning and Development Committee appoint a special subcommittee to provide guidance to the potential commercialization of technology in which UMHC is making an early stage investment. We would recommend that this subcommittee include Board representation, Medical School representation, staff from the University Technology Transfer Office, and potentially others both internal and external to UMHC.

We look forward to discussion of this project with you next week.

GH/kj

enclosure

## Stem Cell Project Executive Summary

The stem cell project began as a basic laboratory research effort to identify a technique for isolating stem cells (which constitute approximately one in one million cells) from bone marrow and for cultivating them for marrow transplantation. The project is currently at the stage of transition from basic research, which has been funded by research grants, to clinical research, which requires support beyond the scope of available research grants. With appropriate laboratory space, equipment and staff, it appears likely that the stem cell selection and cultivation techniques can be further refined and adapted for clinical use at University Hospital.

This project has several potential benefits. (1) As the first or one of the first bone marrow transplant programs to apply this therapy to patients, we expect this technology to boost our competitive position regionally and nationally. (2) Stem cell transplantation is expected to result in shorter length of stay and reduced costs, an achievement which is especially important in light of the increasing volume of marrow transplantation referrals which are under fixed cost contracts. (3) The Bone Marrow Transplantation Program's reputation has been built on innovative research and being among the first to offer new therapies, a reputation which has led to reliable referral relationships and designation as a "center of excellence" by several major insurers. This project will allow the Program to enhance its stature as a research and clinical program. (4) The stem cell technology may have important proprietary value, offering a benefit beyond the patient care program at UMHC from the Hospital's investment.

The capital cost of the project includes \$350,000 for remodeling (of which 50% will be from non-hospital sources), \$527,000 for equipment acquisition, and \$400,000-\$450,000 per year for laboratory staff and supplies.

STEM CELL PROPOSAL - PROJECT COST SUMMARY

Remodeling	\$350,000*
Capital Equipment	\$527,000
Annual Staff and Supplies	\$400,000 - \$450,000 per year

\*Approximately 50% to be funded from non-hospital sources

WSJ Tue, Dec 17, 1991

# Sandoz Makes Big Biotech Bet On SyStemix

By CHARLES MCCOY

Staff Reporter of THE WALL STREET JOURNAL

Swiss pharmaceutical giant Sandoz Ltd. agreed to acquire 60% of tiny SyStemix Inc. for a pricey \$392 million, extending a wave of acquisitions in the U.S. biotechnology business that's being driven by big-spending foreign investors.

SyStemix, which was founded in 1988 and only went public in August, has developed several avant-garde technologies in gene therapy and related fields that could lead to new treatments for immune disorders, cancers and genetic diseases. Its guiding light is Dr. Irving Weissman, a Stanford University professor who is one of the most highly regarded immunology specialists in the country.

## Stock Price Jumps \$19.75

Under yesterday's agreement, Sandoz will pay \$70 a share for four million of SyStemix's shares outstanding and \$56 a share for about two million newly issued shares. The average price, about \$65 a share, represents a fat premium over SyStemix's recent trading range of around \$35 a share.

After the announcement, SyStemix shares soared \$19.75 to close at \$53 in national over-the-counter trading. In Zurich, Sandoz closed at 2,410 Swiss francs (\$1,718.81), down from Friday's close of 2,420 Swiss francs.

The agreement may signal a new phase of big-bucks acquisitions in the U.S. biotechnology industry. Ever since last year, powerhouse drug makers—often foreign concerns—have been paying fat premiums for smaller companies with promising, cutting-edge technologies. For example, Switzerland's Roche Holding Ltd. bought 60% of Genentech Inc. for \$2.1 billion in 1990, a premium of about 66% over Genentech's stock price at the time.

The cash infusions are vital in an industry notorious for volatile stock prices and heavy spending on exotic, high-risk research. Foreign money has found ready takers because Wall Street has run hot and cold on the industry, though U.S. investors in recent months have shown renewed faith in biotechnology.

## Research on 'Stem Cells'

The prize for Sandoz in gaining control of SyStemix is the work that Dr. Weissman and his team have done in isolating purified bone marrow "stem cells," which are known as the grandfather of all human stem cells. Scientists say stem cells hold great promise in helping treat various diseases. They also believe that using the purified stem cells could reduce rejection rates in organ transplants.

SyStemix caused a big splash in November when it announced that it had received a patent covering stem cells. In addition to the potential for developing treatments, the patent thrust SyStemix into the middle of the bubbling debate over attempts to patent the basic building blocks of human life.

The company also is known for developing a research animal endowed with a human immune system, the SCID-hu mouse. But clearly, SyStemix's work in stem cells is what caught Sandoz's eye. "We feel they are redefining the state of the art of biotechnology with their stem cell work," said Dr. Craig Burrell, vice president of external affairs for Sandoz Corp., the company's U.S. unit. "They are the world leaders, and their expertise will expand our ability in several key areas." He said the high price was justified, partly as a way to ensure that Dr. Weissman and his scientists stay on board.

SyStemix, Palo Alto, Calif., went public at \$18 a share just four months ago. Dr. Weissman owns 5.3% of SyStemix, which gives his personal holdings a current value of about \$27.6 million, based on the \$65 average share price. But the biggest potential winner in the deal apparently is Eli Jacobs, the New York investor who owns the Baltimore Orioles baseball team. Mr. Jacobs owns about 38% of SyStemix, bought before the company went public; his shares now have a value of about \$195 million.



reaction. WJ 3/30/92

## CellPro Inc. Planning To Start Clinical Tests On Bone Marrow Plan

**BOTHELL, Wash.**—CellPro Inc. plans to start clinical tests in the second quarter of bone marrow transplant in breast cancer patients, using its cell-separation system.

The biotechnology company makes devices that use monoclonal antibodies to isolate specific populations of blood cells for use in therapeutic, diagnostic and research applications.

Pending Food and Drug Administration approval of the test protocol, Richard Murdock, CellPro's president, said in an interview that about 80 patients would be treated at five U.S. medical centers with transplants of their own bone marrow.

Half of the test patients will be randomly assigned to receive bone marrow transplants with stem cells, which are primitive grandfather cells that give rise to all red and white cells of the bloodstream. The other half would receive their bone marrow without the stem-cell separation technique. The test seeks to compare the effectiveness of stem cells versus whole marrow transplants.

The CellPro cell separator isolates a mix of stem cells and other progenitor or early blood-cells which together constitute about 1% of all bone marrow cells. About 1% of this select group are comprised of true stem cells, which are "immortal" or self-replicating cells increasingly being sought by researchers doing cell-transplants and gene therapy.

Mr. Murdock said using the stem cell mixture instead of conventional bone marrow transplant may significantly reduce the time it takes to regenerate enough healthy white cells to protect patients against life-threatening infection. Currently, bone marrow transplant recipients must spend extended periods of time isolated in a germ-free environment.

Mr. Murdock said that after completion of clinical tests the company hopes to file for pre-market approval with the FDA in 1993 to use its cell-separation system in bone marrow transplants. He also said that the company hopes to be profitable by 1996.

## MAJOR CAPITAL EXPENDITURE REPORT

**EQUIPMENT:** 100 Watt ND. YAG/20 WATT 532 GREEN COMBINATION SURGICAL LASER

**PURCHASE PRICE:** \$114,000

**DESCRIPTION:**

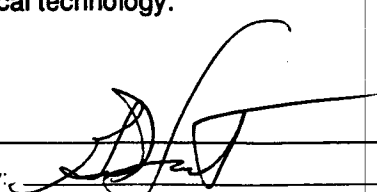
The equipment requested consists of a 100 watt Nd: YAG/532 wavelength green combination laser with appropriate controlling, calibrating mechanisms and accessories.

Laser technology as a surgical tool was introduced in the operating room during the late 1960's. Since that time, laser surgery has become the accepted method of choice for performing numerous surgical procedures due to its ability to cut, coagulate and vaporize tissue simultaneously, thus limiting local tissue destruction. Specifically the 532 wavelength green laser (also known as the KTP laser) represents the most recent of surgical laser technology developments. The primary benefits of this technology over earlier technologies such as the CO<sub>2</sub> laser is the high degree of both aim accuracy and surgical precision. While these features enhance the application of laser technology in several surgical specialties, they are of particular significance in the areas of Neurosurgery and Otolaryngology. Both of these services continue to show a strong growth pattern and their patient populations are most suitable to benefit from this newer technology. It is anticipated this device will be utilized in approximately 550 surgical procedures annually.

Additionally, the combination feature of this device would enable the O.R. to provide needed back-up for the older Nd: YAG laser currently being used for procedures within the main O.R. and Ambulatory Surgery. Further, case delays will be minimized as two cases can begin and precede concurrently.

Finally, acquisition of this laser technology is important from a competitive position in order to provide patients and referring physicians current surgical technology.

Submitted By: R. Carter McComb  
Title: Associate Director

Approved By:   
Title: Sr. Associate Director

## MAJOR CAPITAL EXPENDITURE REPORT

**EQUIPMENT:** SP4000 Upgrade, Diagnostic Radiology; MRI Section

**PURCHASE PRICE:** \$115,000

**DESCRIPTION:** The MRI Section of Diagnostic Radiology seeks to upgrade the current 1.5 Tesla System purchased in 1990 with a VAX 4000 Model 300 coast processor, disc drive, expansion board and optical disc storage unit. This upgrade will improve patient through put and image acquisition capabilities of this system which will allow the Department to increase scheduled patients by at least one per day, as well as allow the Department to perform more complex, time consuming MRI scans. This is particularly important given the expansion of coils needed to do state-of-the-art imaging.

Principally, this upgrade will allow patients to spend less time in the tunnel while being imaged. This, in turn, will increase our through put by 1+ patients per day. At \$966 per exam, this represents a potential billable revenue of \$251,160 in the first 12 months of ownership. Secondly, the availability of this upgrade will allow us to expedite some of our more difficult neurovascular imaging cases which are currently taking an additional 30 to 60 minutes to complete. Given that our MRI neurovascular exams are up 8% since Dr. Latchaw's arrival, this upgrade enhancement can help to manage the additional case work time required by each additional exam. The decrease in per patient image acquisition/manipulation time can also reduce the number of aborted exams.

The cost of this acquisition is included in this year's budget.

Submitted By: Helen Pitt  
Title: Associate Director

Approved By:   
Title: Sr. Associate Director

PLANNING AND DEVELOPMENT COMMITTEE

SUMMARY OF ACTIVITIES

1991

I. "ROUTINE" ITEMS

- A. Purchasing Report (Quarterly)
- B. Capital Expenditure Report (Quarterly)
- C. Capital Budget (Annually)
- D. Development Office Update (As Needed)
- E. UMCA Update (Each Meeting)
- F. Capital Expenditure \$100,000-\$600,000 (As Needed)
- G. Special Capital Projects (As Needed)

II. ISSUE DEVELOPMENT/MONITORING

- A. External Relations
  - 1. Interstate Medical Center
  - 2. Riverside Medical Center - OB/Neonatology
  - 3. Mobile lithotripsy/Mobile cardiac catheterization
- B. Renewal Project
- C. Monitor Strategic Planning

**THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC**

**BOARD OF GOVERNORS**

**PLANNING & DEVELOPMENT COMMITTEE**

**MAY 27, 1992**

**PLANNING AND DEVELOPMENT COMMITTEE**  
**THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC**  
**BOARD OF GOVERNORS**  
**Wednesday, May 27, 1992**  
**11:00 a.m. - 12:30 p.m.**  
**The Bridges Conference Room (8-140), University Hospital**

**AGENDA**

			<u>Page</u>
I.	<u>Approval of the April 22, 1992 Meeting Minutes</u>	Approval	1
II.	<u>Special Capital Project:</u>		
	BMT Program - stem cell project (mailed under separate confidential cover)	Endorsement	
	-Greg Hart		
III.	<u>Strategic Planning &amp; External Relations Update</u>	Discussion	
	-Robert Dickler		
IV.	<u>Special Capital Project:</u>		
	Sports Medicine	Information	4
	-Mary Ellen Wells		
V.	<u>Consent Agenda Items</u>		
	A. Major Capital Expenditure Report: Dialysis Remodeling	Information	16
	B. Quarterly Capital Expenditure Report	Information	17
VI.	<u>Other Business</u>		
VII.	<u>Adjournment</u>		

Lunch will be served at 11:00 a.m. in the Bridges Conference Room.

MINUTES  
Planning and Development Committee  
Board of Governors  
April 22, 1992

Attendance:        Present:    Robert Dickler  
   Albert Hanser  
   Greg Hart  
   Clint Hewitt  
   David Lentz  
   Peter Lynch, M.D.  
   Ted Thompson, M.D.

   Not-present:  
   Leonard Bienias  
   Terrance Hill  
   William Jacott, M.D.

   Staff:        Giles Caver  
   Cliff Fearing  
   Mark Koenig  
   John LaBree, M.D.  
   Shannon Lorbiecki  
   Helen Pitt

   Guests:      Denny Brennan  
   Jon Weiner

**CALL TO ORDER**

Mr. David Lentz called the meeting to order at 11:15 a.m.

**RENEWAL PROJECT**

Mr. Dickler summarized the revised plan for reducing the scope of the Renewal Project. A decision has been made not to construct additional floors on top of Unit J. The Department of Psychiatry will reconfigure its programs within a bed capacity of 50. The programs will be accommodated in three patient care units: one existing Unit J Medical/Surgical Unit and 2 renovated areas in the Mayo building. A study is underway to determine if the Rehabilitation inpatient unit can be accommodated in Unit J. Potential relocation of the Obstetrics unit is on hold pending the outcome of discussion with Riverside Medical Center.

Adult and Pediatric Rehab therapies would be consolidated on Mayo 4. The planned expansion of operating rooms (OR) to accommodate ambulatory surgery within the inpatient ORs would move forward. The vacated Ambulatory Surgery Center would be remodeled to house Cystoscopy and Urology Clinic.

The Committee discussed the appropriate mechanism for conveying this information to the Board of Regents. A motion was seconded and passed to present this information to the Board of Regents for discussion.

## **MAJOR CAPITAL EXPENDITURES**

### **Surgical Laser**

Mr. Greg Hart Presented two major capital expenditures for information. The YAG surgical laser has a higher degree of both aim accuracy and surgical precision than earlier technology. The laser will provide a significant improvement in Neurosurgery and Otolaryngology.

In response to a question, Mr. Hart indicated that there is probably one hospital in the Twin Cities which has already acquired this technology.

### **MRI Upgrade Diagnostic Radiology**

Mr. Hart also presented the plan to acquire an upgrade for the current 1.5 Tesla MRI system with a VAX 4000 Model 300 coast processor, disc drive, expansion board, and optical disc storage unit. This upgrade will improve patient throughput and image acquisition capabilities.

### **BMT PROGRAM - STEM CELL PROJECT**

Mr. Hart presented the proposal for enhancement of the Bone Marrow Transplant (BMT) program through development and clinical application of stem cell technology. The project began in the basic research area with development of a technique for isolating stem cells from bone marrow and cultivating them for marrow transplantation. The project is currently at the stage of transition from basic research to clinical research. The capital cost of the project include \$350,000 for remodeling (half to be paid by the Hospital), \$527,000 for equipment acquisition, and \$400,000-\$450,000 per year for laboratory staff and supplies.

Mr. Hart informed the Committee that the stem cell project would be brought to the Board for information in April and for approval in May.

### **ADJOURNMENT**

At 12:10 the business meeting was adjourned and a closed meeting was called to order to discuss strategic planning and marketing activities. At 12:35 the business meeting was called to order.

### **COMMITTEE WORK PLAN**

Mr. Lentz briefly discussed the Committee's work plan. The objective for the year is to decrease the amount of time spent on more routine items to allow for more in-depth review of overall hospital strategy, external relations, and marketing.



**EXTERNAL RELATIONS**

Mr. Dickler reported that discussion continues with Riverside Medical Center regarding Obstetrics and Neonatology but no fundamental decisions have been made. The Hospital continues discussions with a number of physician groups regarding potential relationships.

**ADJOURNMENT**

There being no further business, the meeting was adjourned at 12:40 p.m.

Respectfully submitted:

*Shannon L. Lorbiecki*

Shannon L. Lorbiecki  
Assistant Director  
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*

May 20, 1992

TO: Members, Board of Governors  
Planning and Development Committee

FROM: Mary Ellen Wells *ME Wells*  
Associate Director

During the past year, the Hospital and the Department of Orthopaedics have studied the feasibility of consolidating Sports Medicine services into an off-site facility. At the same time, the Hospital explored the potential of moving related outpatient therapy services off-site to an adjacent location. The attached proposal outlines these efforts and concludes by recommending that the Board approve the leasehold improvements and equipment purchases that total \$650,000.

The proposed site for the programs is the FMC Building located near 35W and Washington Avenue. We recently learned that this space may be unavailable to the Hospital because another University unit could need it. To conserve time, we would like to move forward with your review of the proposal for informational purposes this month, and have approval next month pending the University's decision on the space.

Dr. Elizabeth Arendt and I will present this proposal and answer any questions you may have at your meeting next week. I look forward to seeing you then.

## SPORTS MEDICINE INSTITUTE

### PROPOSAL FOR OFF SITE LOCATION

#### SUMMARY

The University of Minnesota Hospital and Clinic proposes to lease 11,500 square feet of space on the fifth floor of the former FMC building to house a Sports Medicine Institute. The building, currently leased in its entirety by the University of Minnesota, gives the Sports Medicine program access and visibility to the University and the greater Twin Cities population, and provides strong links back to University services and operations.

Services provided will include general medical care for the athlete by a generalist and specialist faculty in orthopaedic surgery, physical therapy and occupational therapy. UMHC and the Department of Orthopaedics will continue to provide services to the student athletes of the University of Minnesota, and will continue to expand services to the greater Twin Cities population.

#### I. BACKGROUND

The University of Minnesota Hospital and Clinic (UMHC) established a Sports Medicine Institute in 1984 in a 2,000 square foot clinic in the Phillips Wangenstein Building (PWB). Because the space is too small to allow both physicians and therapists to practice together, the services there have been limited to physical therapy.

Since 1984, the Department of Orthopaedics (Orthopaedics) has focused its attention on developing expertise in the Sports Medicine arena. Orthopaedics provides medical direction for the University's student athletes. Although UMHC's sport medicine services have been received favorably, the lack of contiguous space for the physicians and therapists results in a disjointed program with limited potential for growth.

In the fall of 1989, the University of Minnesota Men's Intercollegiate Athletic Department indicated an interest in moving the medical care of the athletes from UMHC and Orthopaedics to community physicians. Because management and care of University athletes are important components of Orthopaedic's residency and training programs, and are a key component in marketing Sports Medicine services to the public, both Orthopaedics and the Hospital were greatly concerned about the potential of losing this business. Accordingly, they responded quickly, and instituted a number of changes that improved the way student athletes were handled:

- (1) Orthopaedics assigned a physician to provide medical oversight for all care provided the athletes at UMHC. The lines of communication between the Men's Intercollegiate Athletic Department and UMHC were strengthened, with the lead Sports Medicine physician assigned the task of identifying and correcting any perceived problems, concerns and obstructions to high quality care and service;
- (2) Inpatient units, clinics, the emergency room, and ancillary departments were geared up to handle the special needs of the student athletes; and,
- (3) Athletes were flagged in the Hospital's computer system, so that UMHC staff knew they were working with a student athlete;

To address concerns about accessibility and patient convenience, Orthopaedics and UMHC also began investigating the feasibility of opening a Sports Medicine Institute near the University campus. These actions persuaded the Men's Athletic

**Sports Medicine Institute  
Off-site Location Proposal**

Department and University Administration to retain Orthopaedics and the Hospital as the medical provider for University athletes.

At the same time, UMHC's Department of Rehabilitation Services recognized the need for consolidating its outpatient services, and for improving accessibility for patients who needed only outpatient physical or occupational therapy. Since sports medicine necessarily includes rehabilitation therapy, and a significant portion of outpatient therapy referrals are from UMHC's Sports Medicine physicians, the scope of the Sports Medicine Institute investigation was broadened to include adjacent outpatient rehabilitation therapies.

The Hospital asked a firm of health planning consultants to assess existing university sports medicine/fitness programs, and identify programmatic and facility opportunities and needs. Their report recommends that the Hospital and Orthopaedics establish a freestanding Sports Medicine Center, offering consolidated services within that Center. Ideally, the Center would be on or near the Minneapolis University campus.

Based on these recommendations, UMHC and Orthopaedics agreed to continue to plan a Sports Medicine Institute, consisting of a medical clinic and related therapy services.

## II. PROGRAM DESCRIPTIONS

### A. SPORTS MEDICINE/MEDICAL

The Institute will function as a satellite operation of UMHC. The medical clinic will offer general oversight care related to sports injuries and orthopaedic specialty care. Sports Medicine physicians focus on injuries suffered most often by athletes, but provide services to any patient with such an injury, not only athletes. UMHC's Sports Medicine Institute will provide care for knee, ankle, shoulder and hand injuries.

Given the volume of X-Ray activity, The clinic will provide radiology services on site. The X-Ray unit will accommodate up to 95% of radiographs necessary for Sports Medicine practice. Laboratory specimens will be collected as needed and sent to UMHC Laboratories for testing.

The Institute enhances the Department of Orthopaedic's clinical activities, and will strengthen its residency program as well as its other academic programs. While some of the clinic's volume is activity that will be relocated from the Orthopaedics Clinic currently located in the Phillips Wangenstein Building, most of the activity is new business generated by physicians who are joining the Department during the 1992-93 academic year. Currently, new sports medicine patients are waiting up to six or more weeks to see a physician. As they build their practices, the new physicians will fill an immediate need for relieving over-booked schedules.

### B. THERAPIES

Outpatient therapy services will be provided for the sports and other related orthopaedic patients. Currently, these services are provided in the Sports Medicine Institute on the sixth floor of PWB and in the Rehabilitation Services Department on the seventh floor of the Mayo Building. Patients travel back and forth between the sites depending on testing and equipment needs. Space

**Sports Medicine Institute  
Off-site Location Proposal**

constraints in the current facility prohibit consolidation of the program into one area.

The therapy services will center around the needs of the sports medicine patient. Equipment and staffing are geared toward responding quickly and completely to the special needs of the injured athlete. However, much of the testing and exercise equipment used by the sports medicine patient is also used by other patients needing rehabilitation services. Therefore, to minimize duplication of equipment and staff, industrial rehabilitation services will be offered at this site. Services will include Functional Capacity Assessments, Special Purpose Assessments, Work Hardening, and Job Site Assessment. These services are now offered on the seventh floor of Mayo.

Outpatient pediatric care and adult neurologic and geriatric therapy will remain in the Health Sciences complex, since these services require specialized equipment also used by the inpatient population. Patients typically are wheelchair-bound, and have access to parking in the Mayo garage.

**C. PROGRAM BENEFITS**

UMHC and Orthopaedics will benefit substantially from relocation and expansion of the Sports Medicine Institute. The new patient visits generated by the Sports Medicine physicians will result not only in an increased outpatient population, but also in more admissions and surgeries. Typically, one admission or surgery results from every ten clinic visits. Inpatient sports medicine activity covers both direct and allocated indirect hospital costs.

The enhanced program will strengthen an already strong orthopaedic residency and training program. Thirteen percent of total orthopaedic admissions are for sports medicine procedures; 27% of Orthopaedics' metropolitan patients are admitted for sports medicine procedures. In addition, new programs for athletes, such as orthotics, management of knee pain, and gait analysis, can be pursued. The move off-site also will open up much-needed space on campus.

The move of some physicians to the Sports Medicine Institute will not have a negative impact on the Orthopaedics Clinic in the Phillips Wangenstein Building. Historically, the Orthopaedics Department has utilized clinic space to its maximum potential. In addition, the Department of Orthopaedics is adding a minimum of three new physicians to its staff in the next fiscal year. It anticipates that the renovated clinic on campus will not be able to accommodate the new faculty's clinic time requests. The expanded clinic availability, both off-site and on campus, will fill the immediate need to alleviate appointment backlogs and allow the new physicians to build their practices.

Consolidating the therapy and medical programs to one site will improve the quality of care, allow the services to offer extended hours, integrate services, and provide easier access both to physicians and therapists.

Currently, the diverse locations of outpatient services prohibit many staff efficiencies. In addition, the market demand for physical therapists is high nation-wide, making staff retention and recruitment a growing concern. Consolidating the services and related equipment in one location will increase efficiencies, allow the staff to carry a greater and more varied patient load, and provide a comfortable and interesting work site for valued employees.

**Sports Medicine Institute  
Off-site Location Proposal**

**III. LOCATION**

Two alternatives were researched: leasing space or purchasing land and constructing a facility. Since (1) the program currently is not big enough to support a stand-alone facility, (2) the purchase of land and construction would take a minimum of two years, and space and program constraints dictate a more aggressive time line, and (3) no land or building of adequate size and appropriate purchase price is immediately available near the campus, the rental of space in an existing building is the preferred option.

After a diligent search, the former FMC building on 35W and Washington Avenue has been identified as the most appropriate location for the Sports Medicine facility. It is convenient and accessible, and it offers a good mix of amenities both for the staff and the patients.

The University of Minnesota has leased the building at 1300 South Second Street for five years, with an option to purchase the building or extend the lease for an additional five years. The building is six stories tall, and is used primarily for office space. The Sports Medicine Institute would occupy half of the fifth floor (11,500 square feet).

The building is an excellent blend of high visibility and good access for the general population, and has convenient links back to University services and operations. The building is part of the University's telephone system. An underground parking garage is available for staff at the University's monthly rates. The University operates a cafeteria on the first floor, and a shuttle runs between Mayo and the building every half hour.

Security services staff the building 24 hours a day, seven days a week. Over 100 parking spaces are available for patients and visitors directly adjacent to the building's first floor. Ramps and elevators make the building accessible for the handicapped. A number of conference rooms of varying sizes are available, as well as two large meeting rooms that share a large audio-visual facility.

Total leased space would equal 11,500 square feet: 2,800 square feet of clinic space, and 8,700 square feet of therapy space. Leasehold improvements are estimated at \$25 per square foot for all but the X-Ray room, and \$200 per square foot for the 500 square feet of X-Ray space.

**IV. FINANCIAL PROJECTIONS**

Financial projections for the two programs are attached. Exhibit A summarizes the assumptions used to develop the plan, including visit projections, staffing, clinic charges, deductions from charges, and leasehold improvement costs. The charges detailed in the exhibits are the clinic fees only, and do not include physicians' professional fees. UMHC and Orthopaedics have agreed that the combined clinic and professional fee will be competitive in the Twin Cities market, and have priced their separate fees accordingly.

Third party payers will see no difference in charging mechanisms from either UMHC or Orthopaedics. The Hospital is moving an already-existing program to a new location, and there is no need to negotiate new pricing structures or develop new contracts with any payer. The new Workers' Compensation legislation and changes in Medical Assistance reimbursement will have a negative impact on the level of reimbursement for approximately 29% of the clinic patients and 18%

**Sports Medicine Institute  
Off-site Location Proposal**

of the therapy patients. This impact is reflected in increased deductions from charges detailed in Exhibit A, and reflected in the figures in Exhibits B and C.

Exhibit B is the five year financial projection for the medical clinic. The detailed expenses are UMHC expenses, and do not include physicians' salaries or Orthopaedic overhead. Using conservative estimates, the clinic will break even in the second year of operation. Exhibit C is the five year financial projection for therapy services. Therapies have a small loss in the first year, and achieve a 1% contribution margin (surplus over net revenues) by the second year.

Leasehold improvement expenses total \$375,000 -- \$217,500 for therapy space, and \$157,500 for the clinic. Equipment purchases total \$275,000 -- \$100,000 for radiology, \$100,000 for therapies, and \$75,000 for the clinic. The total initial capital outlay is \$650,000, which will be taken from reserves.

**V. REQUIRED APPROVAL**

Approval from the Board of Governors is required, since the total project exceeds \$600,000. Regential approval is not specifically required, since the project is included in the Hospital's capital budget.

**EXHIBIT A**

**SPORTS MEDICINE INSTITUTE  
BUDGET ASSUMPTIONS**

**VOLUME**

**Physician Volume:**

Year One: 6,000 visits

Years Two through Five: 7,200 visits

**Therapy Volume:**

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Sports Medicine	8,247	8,904	9,076	9,250	9,428
Hand & Spine	4,913	5,172	5,275	5,381	5,488
Industrial Rehab	396	396	396	396	396
Industrial Consulting	72	96	96	96	96

**STAFFING**

**Clinic:**

**Job Classification**

	<u>Full Time Equivalent</u>				
	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Manager	0.10	0.10	0.10	0.10	0.10
Clerical	1.20	1.20	1.20	1.20	1.20
Gen Staff Nurse	1.00	1.00	1.00	1.00	1.00
Lic Prac Nurse	1.00	1.00	1.00	1.00	1.00
Radiology Technician	1.00	1.20	1.20	1.20	1.20

**Therapies:**

**Job Classification**

	<u>Full Time Equivalent</u>				
	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Manager	0.60	0.70	0.80	1.00	1.00
Physical Therapists	6.00	6.25	6.45	6.50	6.50
Occupational Ther	4.00	4.25	4.15	4.25	4.50
Clerical/Support	3.00	3.30	3.40	3.80	3.80

**DEDUCTIONS FROM CHARGES**

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Clinic:	30.37%	31.01%	31.64%	32.27%	32.90%
Therapies:	22.81%	23.20%	23.58%	23.97%	24.35%
Ind Rehab:	5.00%	7.00%	9.00%	11.00%	13.00%

**LEASE EXPENSES**

<u>LEASE COST (PER SQ FT)</u>	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
	\$13.13	\$13.51	\$13.91	\$14.33	\$14.77

**COMMON SPACE SURCHARGE:** 34% of lease

**CLINIC SPACE:** 2,800 square feet

**THERAPY SPACE:** 8,700 square feet

**LEASEHOLD IMPROVEMENTS:** \$25.00 per square foot

X-Ray (500 square feet) -- \$200 per square foot

**DEPRECIATION**

5 year straight-line depreciation on leasehold improvements

5 year straight-line depreciation on all equipment except X-Ray

10 year straight-line depreciation on X-Ray equipment

Depreciation expense increases 5% per year in anticipation of recurring equipment purchases



**OTHER ASSUMPTIONS**

**CLINIC:**

**FACILITY/PROCEDURES CHARGE**

Average Charge: \$36.00 year one; 7% increase yrs 2 through 5

**X-RAY**

Volume: One-third of patient visits

Average Charge: \$86.00 year one; 7% increase yrs 2 through 5

**LABORATORY SPECIMEN COLLECTIONS**

Volume: 5% of patient visits

Charge: \$7.00 year one; 7% increase years two through five

**FRINGE BENEFITS**

26% of salaries

**THERAPIES:**

**PROCEDURES CHARGES**

Average Charge, Year One:	Sports Medicine	\$ 65
	Biomechanical	\$ 106
	Hand	\$ 65
	Spine	\$ 85
	Ind Rehab	\$ 340
	Ind Consult	\$ 110

7% increase years two through five

**FRINGE BENEFITS**

25% of salaries

May 20, 1992

**SPORTS MEDICINE INSTITUTE  
OFF-SITE CLINIC  
FIVE YEAR FINANCIAL PROJECTION**

	<u>YEAR ONE</u>	<u>YEAR TWO</u>	<u>YEAR THREE</u>	<u>YEAR FOUR</u>	<u>YEAR FIVE</u>
<b><u>REVENUE</u></b>					
VISIT CHARGES	216,000	280,800	302,400	324,000	345,600
LAB (SPECIMEN COLLECTING)	2,100	2,646	2,790	2,934	3,082
RADIOLOGY	<u>172,000</u>	<u>220,848</u>	<u>232,848</u>	<u>252,845</u>	<u>270,544</u>
TOTAL GROSS REVENUE	390,100	504,294	538,038	579,779	619,226
DEDUCTIONS FROM CHARGES	<u>(118,473)</u>	<u>(156,382)</u>	<u>(170,235)</u>	<u>(187,095)</u>	<u>(203,725)</u>
SUBTOTAL NET REVENUE	271,627	347,912	367,803	392,684	415,500
HEALTH RIGHT TAX RECOVERY	<u>1,358</u>	<u>3,479</u>	<u>3,678</u>	<u>3,927</u>	<u>4,155</u>
<b>TOTAL NET REVENUE</b>	<b><u>272,985</u></b>	<b><u>351,392</u></b>	<b><u>371,481</u></b>	<b><u>396,611</u></b>	<b><u>419,655</u></b>
<b><u>EXPENSES</u></b>					
CLINIC PERSONNEL	139,241	154,962	162,706	170,851	179,411
FRINGE BENEFITS	<u>36,203</u>	<u>40,290</u>	<u>42,304</u>	<u>44,421</u>	<u>46,647</u>
<b>TOTAL PERSONNEL EXPENSES</b>	<b>175,444</b>	<b>195,252</b>	<b>205,010</b>	<b>215,272</b>	<b>226,057</b>

20-May-92

**SPORTS MEDICINE INSTITUTE  
OFF-SITE CLINIC  
FIVE YEAR FINANCIAL PROJECTION**

	<u>YEAR ONE</u>	<u>YEAR TWO</u>	<u>YEAR THREE</u>	<u>YEAR FOUR</u>	<u>YEAR FIVE</u>
<b>NON-PERSONNEL EXPENSES</b>					
Temporary Personnel	5,173	5,432	5,703	5,988	6,288
Rent	36,764	37,828	38,948	40,124	41,356
Surcharge on Common Space	12,500	12,862	13,242	13,642	14,061
Moving Expenses	2,475	0	0	0	0
Office Supplies	600	630	662	695	729
Medical/Linen Supp/Equip	6,600	8,316	8,732	9,169	9,627
Radiology Supplies	10,000	14,969	15,717	16,503	17,328
Continuing Education	500	525	551	579	608
Advertising/Marketing	2,500	2,625	2,756	2,894	3,039
Journals/Subscriptions	500	525	551	579	608
Educational Materials	500	525	551	579	608
Mail/Copy/Courier	5,400	5,670	5,953	6,251	6,564
Phone	1,600	1,680	1,764	1,852	1,945
Pager	300	315	331	347	365
Depreciation--Equipment	25,000	26,250	27,563	28,941	30,388
Depreciation--Leasehold Improvements	31,500	31,500	31,500	31,500	31,500
HealthRight Tax	<u>2,716</u>	<u>6,958</u>	<u>7,356</u>	<u>7,854</u>	<u>8,310</u>
<b>TOTAL NON-PERSONNEL EXPENSES</b>	<b>144,628</b>	<b>156,610</b>	<b>161,880</b>	<b>167,496</b>	<b>173,325</b>
<b>TOTAL EXPENSES</b>	<b><u>320,072</u></b>	<b><u>351,862</u></b>	<b><u>366,890</u></b>	<b><u>382,768</u></b>	<b><u>399,382</u></b>
<b>SURPLUS/(DEFICIT)</b>	<b>(47,087)</b>	<b>(471)</b>	<b>4,591</b>	<b>13,843</b>	<b>20,273</b>
<b>CONTRIBUTION MARGIN</b>	<b><u>-17.34%</u></b>	<b><u>-0.14%</u></b>	<b><u>1.25%</u></b>	<b><u>3.53%</u></b>	<b><u>4.88%</u></b>

20-May-92

**THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
OFFSITE CLINIC**

**OUTPATIENT PHYSICAL THERAPY AND REHABILITATION  
FIVE YEAR FINANCIAL PROJECTION**

	<u>YEAR ONE</u>	<u>YEAR TWO</u>	<u>YEAR THREE</u>	<u>YEAR FOUR</u>	<u>YEAR FIVE</u>
<b><u>REVENUE &amp; VOLUME</u></b>					
<b><u>ACTIVITY</u></b>					
SPORTS MEDICINE THERAPY	546,937	634,824	682,588	749,360	809,866
HAND THERAPY	208,221	236,040	254,486	280,640	304,130
SPINE FITNESS THERAPY	145,350	163,800	178,092	194,792	212,010
MEDICAL EQUIPMENT AND SUPPLIES	<u>20,000</u>	<u>21,000</u>	<u>22,050</u>	<u>23,152</u>	<u>24,310</u>
TOTAL REVENUE -- THERAPY	920,508	1,055,664	1,137,216	1,247,944	1,350,316
INDUSTRIAL REHABILITATION	146,040	149,772	160,212	171,456	183,288
DEDUCTIONS FROM CHARGES -- THERAPY	(209,968)	(244,914)	(268,156)	(299,132)	(328,802)
DEDUCTIONS FROM CHARGES -- IND REHAB	<u>(7,302)</u>	<u>(10,484)</u>	<u>(14,419)</u>	<u>(18,860)</u>	<u>(23,827)</u>
SUBTOTAL NET REVENUE	849,278	950,038	1,014,853	1,101,408	1,180,975
HEALTH RIGHT TAX RECOVERY	<u>4,246</u>	<u>9,500</u>	<u>10,149</u>	<u>11,014</u>	<u>11,810</u>
<b><u>NET REVENUE</u></b>	<b><u>853,524</u></b>	<b><u>959,538</u></b>	<b><u>1,025,002</u></b>	<b><u>1,112,422</u></b>	<b><u>1,192,785</u></b>
<b><u>EXPENSES</u></b>					
<b>PERSONNEL</b>					
Manager	30,488	38,424	46,109	60,528	63,565
Physical Therapy	217,974	242,897	262,812	277,458	290,922
Occupational Therapy	134,597	154,441	158,382	170,314	189,379
Clerical and Office Staff	<u>72,181</u>	<u>82,002</u>	<u>88,287</u>	<u>103,192</u>	<u>108,364</u>
TOTAL SALARIES	455,240	517,764	555,590	611,492	652,230
FRINGE BENEFITS	<u>113,810</u>	<u>129,545</u>	<u>139,120</u>	<u>153,423</u>	<u>163,710</u>
<b>TOTAL PERSONNEL EXPENSES</b>	<b>569,050</b>	<b>647,309</b>	<b>694,710</b>	<b>764,915</b>	<b>815,940</b>

20-May-92

**THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
OFFSITE CLINIC**

**OUTPATIENT PHYSICAL THERAPY AND REHABILITATION  
FIVE YEAR FINANCIAL PROJECTION**

	<u>YEAR ONE</u>	<u>YEAR TWO</u>	<u>YEAR THREE</u>	<u>YEAR FOUR</u>	<u>YEAR FIVE</u>
<b>NON-PERSONNEL</b>					
Rent	114,231	117,537	121,017	124,671	128,499
Common Space Surcharge	38,839	39,963	41,146	42,388	43,690
Moving Costs	5,025	0	0	0	0
Office Supplies	2,500	2,678	2,869	3,012	3,226
Medical Supplies	32,000	34,272	36,705	39,311	41,245
Cont Ed & Travel	9,000	9,639	10,121	10,627	11,158
Marketing & Advertising	6,000	6,300	6,615	6,946	7,293
Journals & Subscriptions	1,500	1,575	1,654	1,736	1,823
Postage & Mailing	1,000	1,050	1,103	1,158	1,216
Courier Service	500	525	551	579	608
Phones	3,200	3,360	3,528	3,704	3,890
Pager	420	441	463	486	511
Depreciation on Equipment	20,000	21,000	22,050	23,153	24,311
Dep on Leasehold Improvements	43,500	43,500	43,500	43,500	43,500
Linen	600	630	662	695	729
Uniform Allowance	500	563	591	621	652
HealthRight Tax	<u>8,493</u>	<u>19,001</u>	<u>20,297</u>	<u>22,028</u>	<u>23,620</u>
<b>TOTAL NON-PERSONNEL EXPENSES</b>	<b>287,308</b>	<b>302,034</b>	<b>312,872</b>	<b>324,615</b>	<b>335,971</b>
<b><u>TOTAL EXPENSES</u></b>	<b><u>856,358</u></b>	<b><u>949,343</u></b>	<b><u>1,007,582</u></b>	<b><u>1,089,530</u></b>	<b><u>1,151,911</u></b>
<b>SURPLUS/(DEFICIT)</b>	<b>(2,834)</b>	<b>10,195</b>	<b>17,420</b>	<b>22,892</b>	<b>40,874</b>
<b><u>CONTRIBUTION MARGIN</u></b>	<b><u>-0.33%</u></b>	<b><u>1.06%</u></b>	<b><u>1.70%</u></b>	<b><u>2.06%</u></b>	<b><u>3.43%</u></b>

Planning & Dev. Committee Review:	May 27, 1992
Finance Committee Review:	May 27, 1992
Board of Governors Review:	May 27, 1992

## MAJOR CAPITAL EXPENDITURE REPORT

**EQUIPMENT:**

**PURCHASE PRICE:**

\$200,000 for remodeling the Kidney Dialysis Unit and developing a pediatric area within the Unit.

**DESCRIPTION:**

Renovation of the Dialysis Unit.

The goals of the project are to create a separate identity for treatment of pediatric patients, to provide flexibility for use of all dialysis beds and to ensure an environment that will enhance the cooperative and effective use of the space.

Electrical, mechanical and patient communication systems will be upgraded, revised or replaced to meet the needs of the patients and code requirements. Aesthetic upgrades are included in the project.

The historical background leading to this project was initiated one year ago when the adult and pediatric dialysis programs were merged in one location. This merger was supported to increase efficiency and provide a cost effective program. As the adult and pediatric patient populations were merged the identified future goal was to develop a family centered care approach. This project responds to that goal.

Submitted By: Jeanne Jacobson  
Title: Interim Associate Director

Approved By: *Jeanne Dick*  
Title: Senior Assoc Director  
Director of Nursing

**UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC**

**CAPITAL EXPENDITURES  
7-1-91 THRU 3-31-92**

<u>RECURRING EQUIP &amp; REMOD EQUIPMENT PURCHASES</u>	<u>BUDGET</u>	<u>ROLLFORWARD FROM 6-30-91</u>	<u>TOTAL</u>	<u>9-MONTH BUDGET</u>	<u>6-MONTH ROLLFORWARD</u>	<u>TOTAL</u>	<u>91-92 ACTUAL</u>	<u>90-91 ROLLFORWARD</u>	<u>TOTAL</u>
91-92 BUDGET	\$6,818,850		\$6,818,850	\$5,100,000		\$5,100,000	\$2,209,208	\$0	\$2,209,208
ROLLFORWARD		\$4,871,763	\$4,871,763		\$3,650,000	\$3,650,000	\$0	\$1,767,694	\$1,767,694
	\$6,818,850	\$4,871,763	\$11,690,613	\$5,100,000	\$3,650,000	\$8,750,000	\$2,209,208	\$1,767,694	\$3,976,902
<b>REMODELING PROJECTS</b>									
91-92 BUDGET	\$1,692,150		\$1,692,150	\$1,200,000		\$1,200,000	\$224,353		\$224,353
ROLLFORWARD		\$1,446,000	\$1,446,000		\$1,000,000	\$1,000,000		\$595,946	\$595,946
	\$1,692,150	\$1,446,000	\$3,138,150	\$1,200,000	\$1,000,000	\$2,200,000	\$224,353	\$595,946	\$820,299
	\$8,511,000	\$6,317,763	\$14,828,763	\$6,300,000	\$4,650,000	\$10,950,000	\$2,433,561	\$2,363,640	\$4,797,201
<b>PRINCIPLE PAYMENTS</b>									
LAB CHEMICAL ANALIZERS	\$126,841		\$126,841	\$94,078		\$94,078	\$88,390		\$88,390
CT SCANNER	\$71,575		\$71,575	\$71,575		\$71,575	\$71,575		\$71,575
COMPUTER EQUIP	\$139,517		\$139,517	\$139,517		\$139,517	\$139,517		\$139,517
MRI 2	\$462,648		\$462,648	\$343,749		\$343,749	\$343,749		\$343,749
	\$800,581		\$800,581	\$648,919		\$648,919	\$643,231		\$643,231
<b>TOTAL:</b>	<b>\$9,311,581</b>		<b>\$15,629,344</b>	<b>\$6,948,919</b>		<b>\$11,598,919</b>	<b>\$3,076,792</b>		<b>\$5,440,432</b>

**BOND PAYMENTS:** \$2,490,000 (PAYMENTS MADE FEB. 1, 1992)

<u>CAPITAL PROJECTS:</u>	<u>UMHC FUNDS FROM RESERVES</u>	<u>ADDITIONAL FUNDS FROM OTHER SOURCES</u>	<u>TOTAL BUDGET</u>	<u>1st QUARTER EXPEND. 1991-92</u>	<u>2nd QUARTER EXPEND. 1991-92</u>	<u>3rd QUARTER EXPEND. 1991-92</u>	<u>CURRENT &amp; PRIOR YEAR(S) EXPENDITURES</u>
(1) ARCHITECT FEES PH II				\$104,166	\$274,038	\$276,791	\$1,728,260
(1) OFFSITE RELOC.							\$10,516
(1) AUTOPSY	\$415,000		\$415,000	\$86,365	\$32,933	\$56,046	\$358,459
(1) OB INPT. (TEMP)	\$370,000		\$370,000	\$119,782	\$43,721	\$10,224	\$326,956
(1) REHAB THERAPY SAT.	\$240,000		\$240,000			\$6,554	\$6,554
(1) PYSCH. TEMP RENOV.	\$100,000		\$100,000			\$14,476	\$14,476
(1) UROLOGY TEMP.	\$100,000		\$100,000			\$3,618	\$3,618
BMT/ICU 4F	\$100,000		\$100,000	\$1,874	\$1,689		\$89,300
BONE MARR OW TRAN. EXP.	\$220,000		\$220,000	\$8,900	\$116,071	\$174,945	\$303,383
NEURO-ANGIOGRAPHY SYST	\$1,900,000		\$1,900,000	\$1,345,114	\$73,928	\$346,988	\$1,796,030
CUHCC	\$1,800,000	\$550,000	\$2,350,000	\$15,036	(\$15,306)	\$46,266	\$2,269,030
COMPUTER UPGRADE	\$4,348,000		\$4,348,000	\$28,338	\$209,219	\$492,294	\$1,470,288
AF15 SOFTWARE LICENSE	\$783,000		\$783,000	\$782,157			\$782,157
HEART CATH ROOM	\$3,100,000		\$3,100,000		\$1,515,073	\$781,603	\$2,309,785
<b>TOTAL</b>	<b>\$13,476,000</b>	<b>\$550,000</b>	<b>\$14,026,000</b>	<b>\$2,491,733</b>	<b>\$2,251,367</b>	<b>\$2,209,805</b>	<b>\$11,468,812</b>

1.) THESE PROJECT COSTS ARE BUDGETED FOR IN THE \$37.62 MILLION RENOVATION PROJECT.

# UNIVERSITY OF MINNESOTA

*The University of Minnesota Hospital and Clinic*

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

May 21, 1992

TO: Members, Planning and Development

FROM: Robert Dickler *RD*  
Hospital Director

SUBJECT: Stem Cell Project

The Board of Governors heard a presentation last month from Dr. Philip McGlave on a project to initiate a laboratory for stem cell selection and cultivation and to begin stem cell transplantation as part of the bone marrow transplant program at UMHC. We are requesting Board approval for initiation of the project this month.

Following the attached narrative project proposal is a financial analysis of the potential investment in the project. This analysis tests out the project investment using conservative assumptions against a target 8% return on investment rate over a five year period. The conclusion of the analysis is that the project meets this investment threshold.

The opportunities and risks of this investment, beyond those specifically identified in the proposal and analysis, are summarized in the following paragraphs.

The analysis is conservative, and thus there are additional opportunities for return on investment, from the following perspectives:

1. The volume experienced could be substantially above that estimated. For example, there are 50,000 new cases of Stage IV breast cancer each year. The analysis assumes a maximum of 20 transplants per year are done. If the volume projections in the analysis are exceeded, the return on investment increases dramatically.
2. The expense estimates for the additional transplant procedures are "fully loaded", and assume 100% variable or incremental expense increases for both direct and indirect costs of the BMT program. This level of actual expense increase is unlikely.
3. There is no positive spillover effect in other volumes assumed from the enhanced reputation the stem cell project will hopefully bring to the BMT program.
4. There is no financial benefit assumed from the potential commercialization of the technology. If potential commercial value were to be realized, it would add significantly to the investment return.



The primary risks associated with the project include:

1. The stem cell selection and cultivation techniques may not work, and the investment in the laboratory would be lost.
2. The volumes projected may not be achieved, and/or reimbursability of the procedure may not be established.
3. The clinical application of the technology, i.e., actual stem cell transplantation, may prove to be unsuccessful.
4. Other institutions may establish themselves earlier or with greater effectiveness.

Our recommendations are that the Board of Governors approve the project as follows:

- A. The initial capital expenditures for equipment and remodeling, should be approved in the amounts of \$ 527,000 for equipment and \$ 350,000 for remodeling. (of the latter amount, 50% will be provided from non-hospital sources.)
- B. The operating expenses for the lab (salaries, supplies, etc.) be authorized for 1992 through early 1994, as outlined in the schedule on projected research expenditures.
- C. Hospital administration and Dr. McGlave should provide the Board with a project status report in early 1994, addressing the status of the technology, clinical application and outcomes, and financial status.
- D. Hospital administration should seek advise from some of the Board members on commercialization strategies and should provide the Board with updates on the status of possible commercialization of the technology over the coming months.

Because of the strategic and marketing implications of this project, and because of the potentially trade secret nature of the technology, this material is sent to you under confidential cover and will be discussed in closed session at the committee meetings and the full Board meetings. We look forward to answering your questions at that time.

## HUMAN BONE MARROW STEM CELL PROJECT

Philip McGlave, M.D.

### INTRODUCTION

The human bone marrow stem cell has the capability to produce red blood cells which carry oxygen throughout the body, white blood cells which defend the body against infection and platelets which facilitate blood clotting. The stem cell also has the unique capacity to replicate itself, thereby providing a long lasting reservoir of stem cells to sustain blood production throughout the human life span. The stem cell represents only approximately one in one million cells in the human bone marrow. We have recently developed laboratory methods to select human bone marrow stem cells. After further development of this technology, stem cell selection can be applied to the treatment of human diseases under several different circumstances. General application of stem cell selection technology include:

Stem Cell Transplantation. In a variety of lethal human diseases including acute leukemias, chronic leukemias, lymphomas, metastatic breast cancer and other cancers, normal human stem cells co-exist with malignant cells in the bone marrow. Selection and storage of benign stem cells permits treatment of the patient with very high doses of chemotherapy and radiation. Subsequently the patient is "rescued" by reinfusion of the patient's own stem cell population in a procedure termed "stem cell transplantation." Stem cell transplantation has several advantages over currently available donor bone marrow transplant approaches: It is unnecessary to locate a donor, older patients can be transplanted, side effects, inpatient hospital stay and mortality are markedly diminished. These features of stem cell transplantation will dramatically increase the number of patients eligible for potentially life saving therapy and will reduce the cost of the procedure. The number of patients presenting with diseases potentially aided by stem cell transplantation therapy exceeds 100,000 per year in the United States.

Cultivation of stem cell products in the laboratory. Human stem cells have the capacity to differentiate into formed, mature blood cells. With the development of laboratory stem cell cultivation techniques, it can be envisioned that stem cells will be used not only for stem cell transplantation, but to serve as a "blood factory" in which relatively small numbers of stem cells properly stimulated, supported and cultivated in the laboratory will provide a never ending source of "stem cell products" such as red cells, white blood cells and platelets suitable for transfusion therapy. Cultivation of a small number of an individual's own stem cells in the laboratory for subsequent transfusion therapy will markedly reduce the expensive, inconvenient and sometimes futile effort to locate properly ABO-matched blood donors and will eliminate the risk of HIV (AIDS), hepatitis virus and other infections currently associated with transfusion therapy. Stem cell products will last longer in the body than blood products currently obtained from donors. Stem cell products will also have an indefinite shelf life since, unlike blood products currently obtained from donors, they can be frozen. The number of red blood cell and platelet transfusions administered in 1991 at the University of Minnesota hospital using current donor sources is 78,500. Ultimately, the stem cell selection and cultivation technique may obviate the need to locate donors as a source for many of these blood products.

Gene therapy. In a number of lethal diseases, strategies have been developed in which gene insertion into stem cells will either correct the underlying condition directly or will provide a survival advantage for stem cells which will indirectly facilitate therapy. Well known examples of such conditions include sickle cell anemia, thalassemia, the leukemias, the lymphomas, metastatic breast cancer and a variety of other metastatic malignancies. Further development of such treatment strategies is dependent on the ability to select human stem cells which can then be subjected to gene insertion technology.

Summary. We have already developed and published pioneering methods for the selection of human bone marrow stem cells. These studies have been performed in a basic research laboratory using small numbers of cells. In order to continue our lead in the development of stem cell selection techniques for clinical purposes, it is necessary to "scale-up" the stem cell selection methods. This "scale-up" effort is the object of this proposal and is intended to develop safe, efficient means for the selection of human stem cells in sufficient quantities to perform stem cell transplantation as innovative, curative therapy for leukemias, breast cancer and other conditions described above. The specific project as well as a budget and time table for the development of the large scale stem cell selection and initiation of clinical trials are described below.

## **PROPOSAL**

Introduction. We have developed a laboratory method for the selection of stem cells from human bone marrow. We propose to modify these current techniques in order to provide a safe, efficient, reproducible, laboratory-based method for the selection of sufficient numbers of stem cells which can be used for human therapy.

Specific Project. Benign stem cells will be obtained from the bone marrow of patients with chronic myelogenous leukemia or breast cancer in sufficient quantities to allow stem cell transplantation therapy for these lethal diseases. The project will have three components which will be performed in parallel:

Project I: Scale-up of stem cell selection. A series of modifications of our current small scale, laboratory-based technique for selection of benign stem cells from the bone marrow of patients with CML or breast cancer will be performed to increase the yield of benign stem cells suitable for transplantation. As each modification is made, laboratory tests will be performed to ascertain that a viable benign stem cell population is being preserved.

Project II: Laboratory cultivation of mature blood cells from benign stem cells. Benign stem cells will be selected and cultivated in the laboratory to produce large numbers of blood cells suitable for infusion into the patient following stem cell transplantation. These cultivated stem cells will provide a large population of white blood cells needed to sustain the patient in the early course of the transplant. Modifications in our current methods for cultivation of such blood cells from the stem cell population will be made in order to scale-up the procedure. As each modification is made, the resultant stem cell products will be tested for their viability and benign nature.

Project III: Production of monoclonal antibodies to recognize human stem cells. Mouse antihuman monoclonal antibodies which recognize human stem cells will be manufactured. The characterization of one or more such monoclonal antibodies will greatly increase the efficiency of future stem cell selection approaches and may have great proprietary value.

Time course: We anticipate that the first human transplants using stem cell selection will be performed within 6–12 months after funding of the project, occupation of the stem cell laboratory and procurement of all necessary equipment. Should initial stem cell transplants be performed successfully, we anticipate pilot studies testing the efficacy of stem cell transplantation in the therapy of CML and, subsequently, breast cancer will be well underway within 24 to 36 months after initiation of the project.

Additional use of stem cell selection techniques. We anticipate that the stem cell selection and cultivation approaches described above will be applicable not only to therapy of chronic myelogenous leukemia and breast cancer with stem cell transplantation as described in Project I above, but to therapy of a variety of other cancers as well. Preliminary discussions are underway to initiate a similar study in the treatment of malignancies such as small cell cancer of the lung.

These stem cell selection techniques will also be useful for clinical studies testing the efficacy of gene insertion currently in the early planning stages within the University of Minnesota Bone

Marrow Transplantation group. We anticipate that the stem cell cultivation techniques also to be developed in the project described above (Project II) will be applicable in a variety of transfusion therapy settings to be tested on our inpatient bone marrow transplantation unit and on the hematology/oncology inpatient treatment units.

### **IMPACT ON THE UNIVERSITY OF MINNESOTA MEDICAL CENTER**

As described above, stem cell selection techniques may lend themselves to innovative therapy for a variety of diseases. Three examples in which stem cell selection might have a major impact on the visibility of the University of Minnesota Medical Center as well as a direct impact on patient accrual are presented below:

Stem cell transplantation therapy for CML. Approximately 46 patients received bone marrow transplantation therapy for CML at the University of Minnesota in 1991. The majority of these patients received related or unrelated donor transplantation. It has been estimated that only 50% of patients referred with CML are candidates for donor bone marrow transplantation because of restrictions in donor availability and applicability of donor transplantation to older recipients. Autologous bone marrow transplantation using stem cell selection techniques obviates the need for matched donors and considerably increases the recipient age limit. After adjustment for these factors, it is anticipated that within two to four years an additional 25–50 patients per year would be eligible for stem cell transplant relying solely on our current referral sources. Additional accrual might be expected if implementation of stem cell transplantation therapy and publication of results increased awareness of the University of Minnesota Bone Marrow Transplantation Program. After scale-up of the stem cell selection process, clinical trials of stem cell transplantation therapy for CML will be performed at the University of Minnesota.

Stem cell transplantation therapy for breast cancer. A second use for stem cell selection therapy would be in the case of stem cell transplantation for breast cancer. Here, selection of the benign

stem cell population coupled with high dose chemotherapy and radiation might prove to be highly effective therapy for this otherwise lethal condition. Approximately 40,000 women per year are diagnosed with stage IV breast cancer. Currently, no curative therapy exists for this condition. Implementation of clinical trials testing the efficacy of this novel and promising approach would be expected to increase visibility of the University of Minnesota Medical Center and Bone Marrow Transplantation Program markedly throughout the nation and to provide a virtually unlimited number of referrals for transplantation therapy as well spill over for other forms of therapy for breast cancer. Preliminary discussions are currently underway to initiate stage IV breast cancer stem cell transplant trials at the University of Minnesota.

Cultivation of stem cells in the laboratory for transfusion therapy. Development of methods for the cultivation of immature blood cells from a small stem cell population ("stem cell products") in the laboratory has important ramifications for transfusion support of patients undergoing high dose chemotherapy. Under such circumstances, a small population of stem cells could be selected from the bone marrow or peripheral blood of patients anticipating subsequent chemotherapy. Large numbers of cultivated stem cell products could be frozen and stored. Following high dose chemotherapy, the stem cell products could be thawed and reinfused to support patients during the period of anemia, low white count and low platelet counts. This would decrease dramatically the need for blood transfusions from donors. This benefit, in turn, would diminish the risk of infection from HIV (AIDS), hepatitis and other blood borne virus infections, would diminish dependency on the Red Cross blood donor network and might markedly diminish the length of hospital stay for patients receiving chemotherapy in the bone marrow transplant or anticancer setting. These stem cell products could be used by many of the approximately 1000 patients per year who receive marrow suppressive chemotherapy for a variety of malignancies at the University of Minnesota.

Proprietary interests. The funding and implementation of the proposed stem cell project for selection and cultivation of human hematopoietic stem cells will most probably result in the development of novel devices and biological substances with proprietary value. These devices may fall into at least two categories: 1) Devices for cultivation of stem cells in the laboratory may be invented. One novel device call the "Transwell system" has already been developed in our laboratory and will allow efficient cultivation of stem cells and stem cell products. Development of this device may lead to more efficient methods for the cultivation of blood products in the laboratory and for gene insertion. A patent application has been filed by our research group for this invention. 2) Our ability to isolate and cultivate human hematopoietic stem cells will allow us to apply conventional monoclonal antibody production techniques in order to create novel monoclonal antibodies which recognize receptors on the surface of human hematopoietic stem cells. We anticipate that one or more such novel monoclonal antibodies will be produced over the next 3 years if the proposed stem cell project is funded. Such monoclonal antibodies may allow us to develop a "one step" selection method for human hematopoietic stem cells to replace our current "four step" method. This would be a significant improvement in stem cell selection technology. Such novel monoclonal antibodies would be patented and would be expected to have a very high proprietary value.

## COMPETITION FOR STEM CELL TRANSPLANTATION

### Introduction

Several bone marrow transplantation centers in the United States are developing the capability to perform stem cell transplantation. A brief description of these programs is provided:

M.D. Anderson Cancer Center (Houston). The M.D. Anderson Cancer Center is now rapidly developing a stem cell transplantation program based on basic research observations made at the University of Minnesota. They have developed their own monoclonal antibodies to recognize human stem cells and have actually begun a pilot study testing efficacy of a partially purified stem



cell population in autologous bone marrow transplantation. A more complete stem cell selection process similar to the one which is envisioned at the University of Minnesota will not be put in place at M.D. Anderson for at least 12–18 months. We can anticipate that the bone marrow transplantation program at M.D. Anderson will provide vigorous competition for us in the area of stem cell transplantation. This effort has been aided by their ability to focus a great deal of support on the development of stem cell transplantation over the last 12 months. This bone marrow transplantation program is rapidly becoming a major competitor for the University of Minnesota.

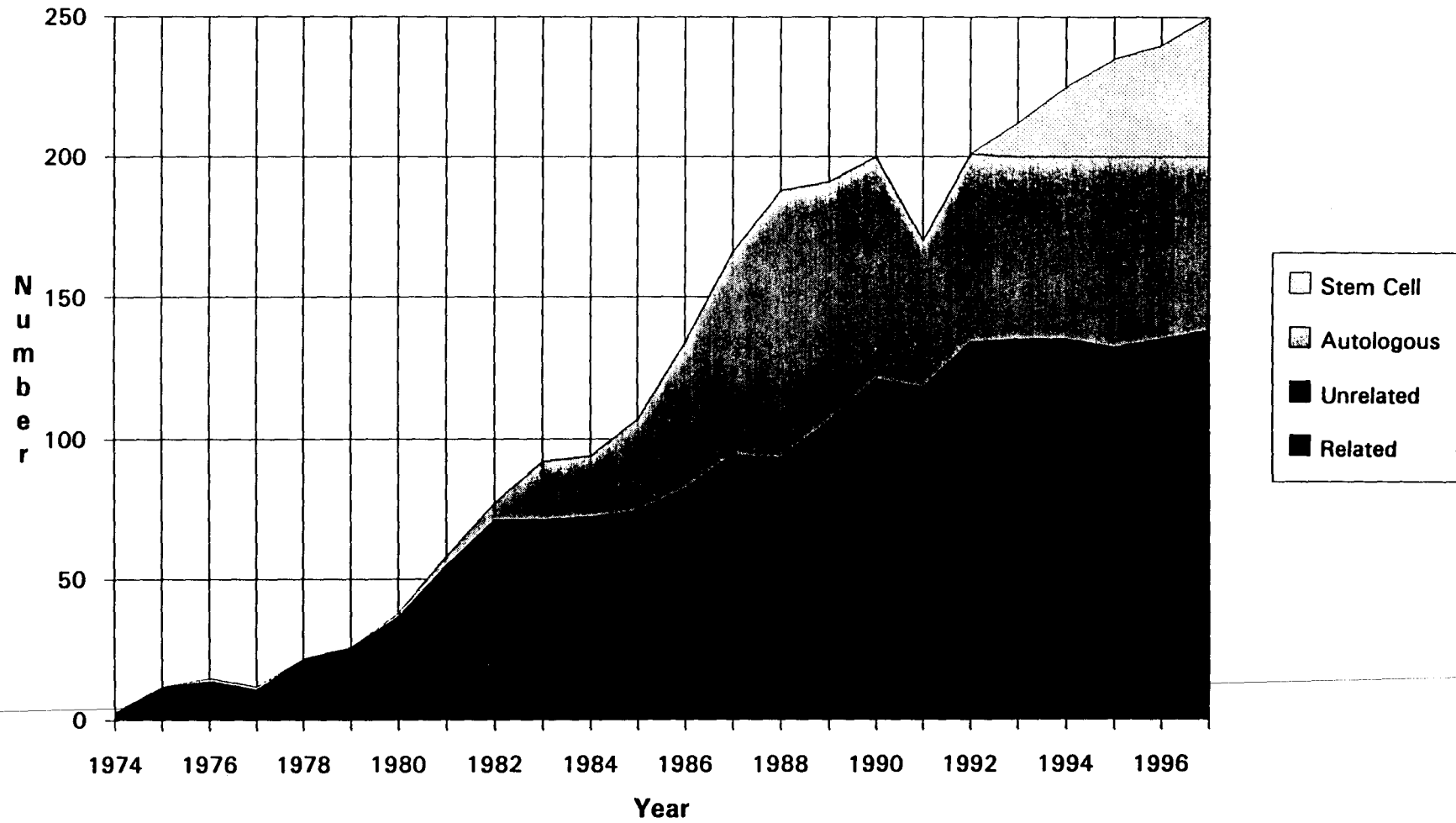
Stanford University Bone Marrow Transplantation Program (Palo Alto). The Stanford group has been a leader in the development of stem cell selection in the mouse model. They have recently focused their efforts on selection of a human stem cell. With the advent of a viable bone marrow transplantation program at Stanford over the last three years, basic and clinical researchers at Stanford have united in a common attempt to perform human stem cell transplants. We can anticipate that Stanford will perform a small number of well publicized stem cell transplants within the next 12–18 months. Should these transplants be successful, Stanford will become a major competitor in the area of stem cell transplantation.

Memorial Sloan Kettering Cancer Center (New York). The Memorial Sloan Kettering group has been interested in stem cell selection for at least three years. They are currently developing a method for selection of human bone marrow stem cells for subsequent stem cell transplantation and will undoubtedly initiate clinical stem cell transplant pilot studies.

Fred Hutchinson Cancer Research Center (Seattle). The Seattle bone marrow transplantation program has been interested in basic stem cell research for over five years. They are quite capable of developing clinical stem cell transplantation approaches. They have already performed a small pilot study testing the efficacy of transplantation therapy using partially purified stem cells in the treatment of advanced breast cancer. It can be anticipated that the Seattle group will initiate stem

cell transplantation within the next three to five years, if not sooner. The Seattle transplantation program is our chief competitor in the area of related and unrelated donor bone marrow transplantation and is the only bone marrow transplant program in the world which is larger than our own.

## Projected Bone Marrow Transplants by Donor Type



**STEM CELL PROJECT  
PROJECTED RESEARCH EXPENDITURES**

19 - May - 92

	1992	1993	1994	1995	1996	1997	Total
<b>Personnel:</b>							
Senior Scientist (1 FTE)	\$18,375	\$38,588	\$40,517	\$42,543	\$44,670	\$46,903	\$231,595
<b>Junior Scientists:</b>							
CML (3 FTE)	\$37,800	\$79,380	\$83,349	\$87,516	\$91,892	\$96,487	\$476,425
Breast Cancer (1 FTE)	\$12,600	\$26,460	\$27,783	\$29,172	\$30,631	\$32,162	\$158,808
FACS (1 FTE)	\$12,600	\$26,460	\$27,783	\$29,172	\$30,631	\$32,162	\$158,808
Total Salary	\$81,375	\$170,888	\$179,432	\$188,403	\$197,824	\$207,715	\$1,025,636
Fringe Benefits	\$24,006	\$51,266	\$54,727	\$57,463	\$60,336	\$63,353	\$311,151
Total Payroll	\$105,381	\$222,154	\$234,159	\$245,867	\$258,160	\$271,068	\$1,336,787
<b>Supplies</b>							
Laboratory Supplies	\$102,675	\$217,671	\$230,731	\$244,575	\$259,250	\$274,805	\$1,329,707
FACS Supplies:							
Inventory	\$10,000	\$0	\$0	\$0	\$0	\$0	\$10,000
Miscellaneous	\$5,000	\$5,300	\$5,618	\$5,955	\$6,312	\$6,691	\$34,877
Other Supplies	\$500	\$1,060	\$1,124	\$1,191	\$1,262	\$1,338	\$6,475
Total Supplies	\$118,175	\$224,031	\$237,473	\$251,721	\$266,825	\$282,834	\$1,381,059
<b>Depreciation</b>							
Building Remodeling	\$17,500	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$192,500
FACS	\$22,000	\$44,000	\$44,000	\$44,000	\$44,000	\$22,000	\$220,000
Elutriator	\$6,000	\$12,000	\$12,000	\$12,000	\$12,000	\$6,000	\$60,000
Other Equipment	\$9,813	\$19,625	\$19,625	\$19,625	\$19,625	\$19,625	\$107,938
Office Furniture	\$337	\$674	\$674	\$674	\$674	\$674	\$3,704
Total Depreciation	\$55,649	\$111,299	\$111,299	\$111,299	\$111,299	\$83,299	\$584,142
<b>Other Expenses</b>							
FACS	\$3,500	\$0	\$0	\$0	\$0	\$0	\$3,500
<b>Service Contracts:</b>							
FACS	\$0	\$22,245	\$22,245	\$22,245	\$25,000	\$25,000	\$116,735
Elutriator	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$36,000
Other	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$12,000
Total Other Expenses	\$11,500	\$30,245	\$30,245	\$30,245	\$33,000	\$33,000	\$168,235
<b>Total Expenditures</b>	<b>\$290,705</b>	<b>\$587,728</b>	<b>\$613,175</b>	<b>\$639,131</b>	<b>\$669,283</b>	<b>\$670,200</b>	<b>\$3,470,223</b>

**STEM CELL PROJECT  
FINANCIAL SUMMARY  
CML & BREAST CANCER**

19-May-92

	1992	1993	1994	1995	1996	1997	Total
<b>PROJECT INVESTMENT</b>	\$290,705	\$587,728	\$613,175	\$639,131	\$669,283	\$670,200	\$3,470,223
Return on Investment at : 8.00%	\$139,538	\$235,091	\$196,216	\$153,392	\$107,085	\$53,616	\$884,938
<b>Total Return Requirement</b>	<b>\$430,243</b>	<b>\$822,820</b>	<b>\$809,391</b>	<b>\$792,523</b>	<b>\$776,368</b>	<b>\$723,816</b>	<b>\$4,355,161</b>
<b>STATEMENT OF OPERATIONS:</b>							
<u>Patient Care Charges:</u>							
Pre-Transplant Inpatient	\$0	\$152,704	\$320,678	\$505,068	\$687,454	\$928,063	\$2,593,966
Pre-Transplant Outpatient	\$0	\$186,222	\$391,067	\$615,931	\$838,350	\$1,131,773	\$3,163,344
Transplant Stay	\$0	\$1,879,006	\$3,354,025	\$4,661,108	\$5,365,052	\$6,103,157	\$21,362,348
Stem Cell (Blood Bank) Charges	\$0	\$180,000	\$378,000	\$595,350	\$810,337	\$1,093,956	\$3,057,643
Post-Transplant Inpatient	\$0	\$217,432	\$456,608	\$719,158	\$978,854	\$1,321,452	\$3,693,504
Post-Transplant Outpatient	\$0	\$98,596	\$310,577	\$625,036	\$1,014,551	\$1,484,732	\$3,533,490
<b>Total Gross Charges</b>	<b>\$0</b>	<b>\$2,713,960</b>	<b>\$5,210,955</b>	<b>\$7,721,651</b>	<b>\$9,694,598</b>	<b>\$12,063,132</b>	<b>\$37,404,296</b>
Third Party Contractual Adjustment	\$0	\$363,873	\$723,718	\$1,119,990	\$1,459,426	\$1,885,808	\$5,552,814
<b>Net Revenue From Operations</b>	<b>\$0</b>	<b>\$2,350,088</b>	<b>\$4,487,237</b>	<b>\$6,601,661</b>	<b>\$8,235,172</b>	<b>\$10,177,324</b>	<b>\$31,851,482</b>
<u>Expenditures:</u>							
Pre-Transplant Inpatient	\$0	\$113,154	\$237,622	\$374,255	\$509,403	\$687,694	\$1,922,129
Pre-Transplant Outpatient	\$0	\$141,529	\$297,211	\$468,107	\$637,146	\$860,147	\$2,404,141
Transplant Stay	\$0	\$1,337,852	\$2,388,066	\$3,318,709	\$3,819,917	\$4,345,447	\$15,209,991
Stem Cell (Blood Bank) Cost	\$0	\$142,200	\$298,620	\$470,326	\$640,167	\$864,225	\$2,415,538
Post-Transplant Inpatient	\$0	\$153,072	\$321,452	\$506,287	\$689,113	\$930,302	\$2,600,227
Post-Transplant Outpatient	\$0	\$80,158	\$252,499	\$508,154	\$824,830	\$1,207,087	\$2,872,728
<b>Total Patient Care Expenditures</b>	<b>\$0</b>	<b>\$1,967,965</b>	<b>\$3,795,470</b>	<b>\$5,645,840</b>	<b>\$7,120,576</b>	<b>\$8,894,903</b>	<b>\$27,424,755</b>
<b>Revenue Over/(Under) Expense</b>	<b>\$0</b>	<b>\$382,122</b>	<b>\$691,767</b>	<b>\$955,821</b>	<b>\$1,114,596</b>	<b>\$1,282,421</b>	<b>\$4,426,727</b>
<b>Gain/(Loss) Relative to Investment</b>	<b>(\$430,243)</b>	<b>(\$440,697)</b>	<b>(\$117,624)</b>	<b>\$163,299</b>	<b>\$338,228</b>	<b>\$558,604</b>	<b>\$71,566</b>
<b>Cumulative Gain/(Loss) to Investment</b>	<b>(\$430,243)</b>	<b>(\$870,941)</b>	<b>(\$988,565)</b>	<b>(\$825,266)</b>	<b>(\$487,038)</b>	<b>\$71,566</b>	

BMT Stem Cell Financial Feasibility Analysis - CML  
Volume Derivation

19-May-92

	1993 Year 1	1994 Year 2	1995 Year 3	1996 Year 4	1997 Year 5
<b>Year 1 Group</b>					
Pre-Transplant Inpatient	6	0	0	0	0
Pre-Transplant Outpatient	6	0	0	0	0
Transplant	6	0	0	0	0
Post-Transplant Inpatient	6	0	0	0	0
Post-Transplant Outpatient	6	6	6	6	6
Annual Outpatient Follow-up Factor	0.00%	100.00%	75.00%	50.00%	25.00%
<b>Year 2 Group</b>					
Pre-Transplant Inpatient	0	12	0	0	0
Pre-Transplant Outpatient	0	12	0	0	0
Transplant	0	12	0	0	0
Post-Transplant Inpatient	0	12	0	0	0
Post-Transplant Outpatient	0	12	12	12	12
Annual Outpatient Follow-up Factor	0.00%	0.00%	100.00%	75.00%	50.00%
<b>Year 3 Group</b>					
Pre-Transplant Inpatient	0	0	18	0	0
Pre-Transplant Outpatient	0	0	18	0	0
Transplant	0	0	18	0	0
Post-Transplant Inpatient	0	0	18	0	0
Post-Transplant Outpatient	0	0	18	18	18
Annual Outpatient Follow-up Factor	0.00%	0.00%	0.00%	100.00%	75.00%
<b>Year 4 Group</b>					
Pre-Transplant Inpatient	0	0	0	20	0
Pre-Transplant Outpatient	0	0	0	20	0
Transplant	0	0	0	20	0
Post-Transplant Inpatient	0	0	0	20	0
Post-Transplant Outpatient	0	0	0	20	20
Annual Outpatient Follow-up Factor	0.00%	0.00%	0.00%	0.00%	100.00%
<b>Year 5 Group</b>					
Pre-Transplant Inpatient	0	0	0	0	25
Pre-Transplant Outpatient	0	0	0	0	25
Transplant	0	0	0	0	25
Post-Transplant Inpatient	0	0	0	0	25
Post-Transplant Outpatient	0	0	0	0	25
Annual Outpatient Follow-up Factor	0.00%	0.00%	0.00%	0.00%	0.00%

BMT Stem Cell Financial Feasibility Analysis – Breast Cancer  
Volume Derivation

19-May-92

	1993 Year 1	1994 Year 2	1995 Year 3	1996 Year 4	1997 Year 5
<b>Year 1 Group</b>					
Pre-Transplant Inpatient	3	0	0	0	0
Pre-Transplant Outpatient	3	0	0	0	0
Transplant	3	0	0	0	0
Post-Transplant Inpatient	3	0	0	0	0
Post-Transplant Outpatient	3	3	3	3	3
Annual Outpatient Follow-up Factor	0.00%	100.00%	75.00%	50.00%	25.00%
<b>Year 2 Group</b>					
Pre-Transplant Inpatient	0	6	0	0	0
Pre-Transplant Outpatient	0	6	0	0	0
Transplant	0	6	0	0	0
Post-Transplant Inpatient	0	6	0	0	0
Post-Transplant Outpatient	0	6	6	6	6
Annual Outpatient Follow-up Factor	0.00%	0.00%	100.00%	75.00%	50.00%
<b>Year 3 Group</b>					
Pre-Transplant Inpatient	0	0	9	0	0
Pre-Transplant Outpatient	0	0	9	0	0
Transplant	0	0	9	0	0
Post-Transplant Inpatient	0	0	9	0	0
Post-Transplant Outpatient	0	0	9	9	9
Annual Outpatient Follow-up Factor	0.00%	0.00%	0.00%	100.00%	75.00%
<b>Year 4 Group</b>					
Pre-Transplant Inpatient	0	0	0	15	0
Pre-Transplant Outpatient	0	0	0	15	0
Transplant	0	0	0	15	0
Post-Transplant Inpatient	0	0	0	15	0
Post-Transplant Outpatient	0	0	0	15	15
Annual Outpatient Follow-up Factor	0.00%	0.00%	0.00%	0.00%	100.00%
<b>Year 5 Group</b>					
Pre-Transplant Inpatient	0	0	0	0	20
Pre-Transplant Outpatient	0	0	0	0	20
Transplant	0	0	0	0	20
Post-Transplant Inpatient	0	0	0	0	20
Post-Transplant Outpatient	0	0	0	0	20
Annual Outpatient Follow-up Factor	0.00%	0.00%	0.00%	0.00%	0.00%

**THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC**

**BOARD OF GOVERNORS**

**JOINT MEETING OF**

**PLANNING & DEVELOPMENT COMMITTEE**

**&**

**FINANCE COMMITTEE**

**JUNE 24, 1992**



JOINT MEETING OF  
PLANNING AND DEVELOPMENT COMMITTEE  
&  
FINANCE COMMITTEE

THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
BOARD OF GOVERNORS  
Wednesday, June 24, 1992  
12:30 noon - 2:00 p.m.\*  
The Board Room (8-106), University Hospital

AGENDA

		<u>Page</u>
I.	<u>Approval of the May 27, 1992 Planning &amp; Development Committee Minutes</u>	Approval 1
II.	<u>Approval of the May 27, 1992 Finance Committee Meeting Minutes</u>	Approval 3
III.	<u>Special Capital Project:</u>	
	Sports Medicine	Endorsement 6
	-Mary Ellen Wells	
IV.	<u>1992-93 Capital Budget</u>	Endorsement 20
	-Greg Hart	
V.	<u>Consent Agenda Items</u>	
	Major Capital Expenditure Report: Color Doppler Ultrasound System	Information/ Consent 25
VI.	<u>May 31, 1992 Financial Statements</u>	Information 26
	-Clifford Fearing	
VII.	<u>Other Business</u>	
VIII.	<u>Adjournment</u>	

\*Lunch will be served at 12:00 noon in the Board Room.

**MINUTES**  
**Planning and Development Committee**  
**BOARD OF GOVERNORS**  
**May 27, 1992**

**Attendance:**

**Present:** Leonard Bienias  
Robert Dickler  
S. Albert Hanser  
Terence Hill  
Clint Hewitt  
William Jacott, M.D.  
Greg Hart  
Ted Thompson

**Not Present:** Peter Lynch, M.D.

**Staff:** Giles Caver  
Joanne Disch  
Jean Harris  
John L. LaBree, M.D.  
Shannon Lorbiecki  
Helen Pitt  
Mary Ellen Wells  
Elizabeth McGough

**Guests:** Elizabeth Arendt, M.D.  
David Anderson  
Denny Brennan  
Phillip McGlave, M.D.

**CALL TO ORDER:**

Mr. David Lentz called the meeting to order at 11:12 a.m..

**CONSENT AGENDA ITEMS**

Mr. Greg Hart briefly described the dialysis remodeling project and the quarterly capital expenditure report. These items were recommended for the Board of Governors consent agenda.

**SPORTS MEDICINE PROJECT**

Ms. Mary Ellen Wells introduced and described the proposal for development of an off-campus sports medicine facility. Ms. Wells indicated that due to the University's space needs, the west-bank site which had been planned will not be available and a number of alternatives are being pursued. Dr. Elizabeth Arendt described the sports medicine program and enumerated the advantages of an off-site location. The major advantages will be patient access and centralization of all program components. Ms. Wells summarized the financial projections for the outpatient program.

The proposal was presented for information and will be presented for approval at the June Committee and Board of Governors meetings

Planning and Development Meeting Minutes  
Board of Governors  
- Page 2 -

Mr. Lentz asked for a motion to hold a closed meeting to discuss a marketing matter and a proprietary matter. A motion was seconded and passed to hold a closed meeting.

**ADJOURNMENT:**

There being no further business, the meeting was adjourned at 11:35 a.m..

Respectfully submitted,

*Shannon L. Lorbiecki*

Shannon L. Lorbiecki  
Assistant Director  
Secretary to the Board of Directors

THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
BOARD OF GOVERNORS FINANCE COMMITTEE  
May 27, 1992

Minutes

**Attendance**

Members: Edward Ciriacy, M.D.  
Robert Dickler  
Michael Dougherty  
Leo Furcht, M.D.  
Albert Hanser  
Nellie Johnson  
Arthur Kydd  
Margaret Matalamaki  
John Morrison  
Roger Paschke  
Vic Vikmanis

Staff: Giles Caver  
Joanne Disch, Ph.D.  
Stephen Grygar  
Greg Hart  
Nels Larson  
Shannon Lorbiecki  
Mary Ellen Wells

Guests: Elizabeth Arendt, M.D.  
Philip McGlave, M.D.  
Elizabeth McGough

**Call to Order**

Ms. Nellie Johnson called the Finance Committee meeting to order at 12:40 p.m.

**Approval of the April 22, 1992 and May 14, 1992 Meeting Minutes**

The Finance Committee approved the minutes of the April 22, 1992 and May 14, 1992 meetings as written.

**Special Capital Project:  
Bone Marrow Transplantation Program - Stem Cell Project**

The Finance Committee closed the meeting to discuss the Stem Cell Project proposed by the Bone Marrow Transplantation Program. After some discussion, the Finance Committee endorsed the Stem Cell Project proposal.

**April 30, 1992 Financial Statements**

The Finance Committee reopened the meeting to discuss the April 30, 1992 financial statements. Mr. Nels Larson presented the April 30, 1992 financial statements. He said April inpatient admissions totaled 1,519 or 14 admissions over budget; average length of stay was 7.3 days or 0.8 days under budget; and patient days totaled 11,325 or 827 days under budget. The April average daily census was 377.5, which was below the budgeted level of 405.1. April clinic visits were 8.0 percent above budget.

The year-to-date Statement of Operations showed expenses exceeding revenues by \$662,000, an unfavorable variance of \$5,056,000. Gross patient revenue was 1.1 percent below budget and operating expenditures were 2.4 percent below budget.

As of April 30, the balance of accounts receivable totaled \$110,016,000 and represented 98.7 days of revenue outstanding.

**Fiscal Year 1993 Budget Projections and Comparative Data**

Mr. Robert Dickler presented fiscal year 1993 budget projections and comparative data. He recommended the Finance Committee adopt a budget with a 5.9 percent rate increase and 2.0 percent total margin.

Mr. Dickler acknowledged the Board's concerns about any rate increase, but assured the Finance Committee the recommended rate increase is necessary and responsible. He said the Hospital has had the lowest, recent cumulative rate increase relative to its local competitors. Moreover, the Hospital's profitability, liquidity, and capital structure ratios are well positioned relative to the competition. Finally, a large number of Hospital patients are covered by insurance which pays charges versus negotiated rates.

Mr. Dickler also assured the Finance Committee the Hospital will pursue additional cost containment. He said the recommended budget includes expense reductions of \$11,250,000, and the strategic planning process should produce further cost reductions in future years.

The Finance Committee discussed the recommended budget and considered two additional resolutions. The first resolution requested University Central Administration determine the appropriations to which it currently charges the Hospital for fringe benefit and other expenses. The second resolution requested Hospital Administration achieve cost reductions so no rate increase will be requested or required for fiscal year 1994.

The Finance Committee endorsed the recommended budget and the two attached resolutions.

### Fiscal Year 1993 Compensation Plan

Mr. Greg Hart presented the Hospital's employee compensation plan for fiscal year 1993. First, he said unionized employees are covered by the second year of existing collective bargaining agreements, and University dominated classes will receive 5.1 percent increases established by University Central Administration. As such, Mr. Hart said the Finance Committee did not need to address the compensation of those two groups.

However, Mr. Hart did recommend 5 percent pay increases for Hospital-dominated classes and for employees in the Hospital Administrative Personnel System. He also reminded the Finance Committee these employees did not receive pay increases during fiscal year 1992.

The Finance Committee endorsed the Hospital's employee compensation plan for fiscal year 1993.

### Special Capital Project: Sports Medicine

Ms. Mary Ellen Wells and Dr. Elizabeth Arendt presented a business plan to establish an off-site sports medicine clinic. They said the clinic would provide general medical care, orthopaedic surgery, and physical and occupational therapies. Ms. Wells and Dr. Arendt said establishing the clinic would have several benefits. They include: improving patient access and public visibility, generating additional visits and admissions, enhancing resident training in orthopaedic surgery, freeing limited on-site clinic space, improving quality of care, and integrating services better.

Ms. Wells said she and Dr. Arendt will seek approval for the plan in June. She also said the FMC building space they had planned to use is no longer available, and she will identify an alternate site before the June meeting.

### Adjournment

There being no further discussion, the Finance Committee adjourned the meeting at 2:34 p.m.

Respectfully submitted,

  
Giles Caver  
Administrative Fellow

# UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

Harvard Street at East River Parkway  
Minneapolis, MN 55455

June 18, 1992

## MEMORANDUM

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

**FROM:** Mary Ellen Wells *MEL Wells*  
Associate Director

Last month, Dr. Elizabeth Arendt and I presented a proposal to the Board of Governors that consolidates and expands the UMHC Sports Medicine program and relocates it to an off-site facility.

As you know, the building that was identified as the preferred site is not available. During the last month, other options were explored and there are two viable alternatives. A final decision on the preferred location will be made after further negotiations with the building managers.

Since both sites require equivalent rental and leasehold improvement expense, we are presenting a modified summary that reflects the new site options and the resulting financial projections. Also, we will present a marketing plan overview that was requested last month.

We recommend that the Board approve the leasehold improvements and equipment purchases that total \$620,000. We look forward to presenting this next week.

MEW/sk

**SPORTS MEDICINE INSTITUTE**  
**PROPOSAL FOR OFF SITE LOCATION**

**SUMMARY**

The University of Minnesota Hospital and Clinic proposes to lease approximately 12,000 square feet of space in an offsite location to house a Sports Medicine Institute. The Institute will be located at one of two sites: Minneapolis Business and Technology Center, located at the edge of downtown near the Metrodome, or 2610 University Avenue, located one block west of the intersection of Highway 280 and University Avenue. Both options give the Sports Medicine program access and visibility to the University and the greater Twin Cities population, and are within a one mile radius of the Twin Cities campus.

Services provided will include general medical care for the athlete by generalist and specialist faculty in orthopaedic surgery, physical therapy and occupational therapy. UMHC and the Department of Orthopaedics will continue to provide services to the student athletes of the University of Minnesota, and will continue to expand services to the greater Twin Cities population.

**I. BACKGROUND**

The University of Minnesota Hospital and Clinic (UMHC) established a Sports Medicine Institute in 1984 in a 2,000 square foot clinic in the Phillips Wangensteen Building (PWB). Because the space is too small to allow both physicians and therapists to practice together, the services there have been limited to physical therapy.

Since 1984, the Department of Orthopaedics (Orthopaedics) has focused its attention on developing expertise in the Sports Medicine arena. Orthopaedics provides medical direction for the University's student athletes. Although UMHC's sport medicine services have been received favorably, the lack of contiguous space for the physicians and therapists results in a disjointed program with limited potential for growth.

In the fall of 1989, the University of Minnesota Men's Intercollegiate Athletic Department indicated an interest in moving the medical care of the athletes from UMHC and Orthopaedics to community physicians. Because management and care of University athletes are important components of Orthopaedics' residency and training programs, and are a key component in marketing Sports Medicine services to the public, both Orthopaedics and the Hospital were greatly concerned about the potential of losing this business. Accordingly, they responded quickly, and instituted a number of changes that improved the way student athletes were handled:



**Sports Medicine Institute  
Off-site Location Proposal**

- (1) Orthopaedics assigned a physician to provide medical oversight for all care provided the athletes at UMHC. The lines of communication between the Men's Intercollegiate Athletic Department and UMHC were strengthened, with the lead Sports Medicine physician assigned the task of identifying and correcting any perceived problems, concerns and obstructions to high quality care and service;
- (2) Inpatient units, clinics, the emergency room, and ancillary departments were geared up to handle the special needs of the student athletes; and,
- (3) Athletes were flagged in the Hospital's computer system, so that UMHC staff knew they were working with a student athlete.

To address concerns about accessibility and patient convenience, Orthopaedics and UMHC also began investigating the feasibility of opening a Sports Medicine Institute near the University campus. These actions persuaded the Men's Athletic Department and University Administration to retain Orthopaedics and the Hospital as the medical provider for University athletes.

At the same time, UMHC's Department of Rehabilitation Services recognized the need for consolidating its outpatient services, and for improving accessibility for patients who needed only outpatient physical or occupational therapy. Since sports medicine necessarily includes rehabilitation therapy, and a significant portion of outpatient therapy referrals are from UMHC's Sports Medicine physicians, the scope of the Sports Medicine Institute investigation was broadened to include adjacent outpatient rehabilitation therapies.

The Hospital asked a firm of health planning consultants to assess existing university sports medicine/fitness programs, and identify programmatic and facility opportunities and needs. Their report recommends that the Hospital and Orthopaedics establish a freestanding Sports Medicine Center, offering consolidated services within that Center. Ideally, the Center would be on or near the Minneapolis University campus.

Based on these recommendations, UMHC and Orthopaedics agreed to continue to plan a Sports Medicine Institute, consisting of a medical clinic and related therapy services.

## II. PROGRAM DESCRIPTIONS

### A. SPORTS MEDICINE/MEDICAL

The Institute will function as a satellite operation of UMHC. The medical clinic will offer general oversight care related to sports injuries and orthopaedic specialty care. Sports Medicine physicians focus on injuries suffered most often by athletes, but provide services to any patient with such an injury, not only athletes. UMHC's Sports Medicine Institute will provide care for knee, ankle, shoulder and hand injuries.

Given the volume of X-Ray activity, The clinic will provide radiology services on site. The X-Ray unit will accommodate up to 95% of radiographs necessary for Sports Medicine practice. Laboratory specimens will be collected as needed and sent to UMHC Laboratories for testing.

The Institute enhances the Department of Orthopaedic's clinical activities, and will strengthen its residency program as well as its other academic programs. While some of the clinic's volume is activity that will be relocated from the Orthopaedics Clinic currently located in the Phillips Wangensteen Building, most of the activity is new business generated by physicians who are joining the Department during the 1992-93 academic year. Currently, new sports medicine patients are waiting up to six or more weeks to see a physician. As they build their practices, the new physicians will fill an immediate need for relieving over-booked schedules.

### B. THERAPIES

Outpatient therapy services will be provided for the sports and other related orthopaedic patients. Currently, these services are provided in the Sports Medicine Institute on the sixth floor of PWB and in the Rehabilitation Services Department on the seventh floor of the Mayo Building. Patients travel back and forth between the sites depending on testing and equipment needs. Space constraints in the current facility prohibit consolidation of the program into one area.

The therapy services will center around the needs of the sports medicine patient. Equipment and staffing are geared toward responding quickly and completely to the special needs of the injured athlete. However, much of the testing and exercise equipment used by the sports medicine patient is also used by other

**Sports Medicine Institute  
Off-site Location Proposal**

patients needing rehabilitation services. Therefore, to minimize duplication of equipment and staff, industrial rehabilitation services will be offered at this site. Services will include Functional Capacity Assessments, Special Purpose Assessments, Work Hardening, and Job Site Assessment. These services are now offered on the seventh floor of Mayo.

Outpatient pediatric care and adult neurologic and geriatric therapy will remain in the Health Sciences complex, since these services require specialized equipment also used by the inpatient population. Patients typically are wheelchair-bound, and have access to parking in the Mayo garage.

C. PROGRAM BENEFITS

UMHC and Orthopaedics will benefit substantially from relocation and expansion of the Sports Medicine Institute. The new patient visits generated by the Sports Medicine physicians will result not only in an increased outpatient population, but also in more admissions and surgeries.

Exhibit A reflects the 1991 Sports Medicine inpatient activity that is used to project the impact of new volume. Typically, one admission results from every eleven clinic visits. Assuming a similar admission/visit ratio, the new Sports Medicine physicians will add 230 inpatient admissions in the first year. This results in additional net revenue of \$1,398,984 and additional net income of \$23,661 (based on no marginal savings, i.e. fully loaded direct and indirect expense allocations).

The enhanced program will strengthen an already strong orthopaedic residency and training program. Thirteen percent of total orthopaedic admissions are for sports medicine procedures; 27% of Orthopaedics' metropolitan patients are admitted for sports medicine procedures. In addition, new programs for athletes, such as orthotics, management of knee pain, and gait analysis, can be pursued. The move off-site also will open up much-needed space on campus.

The move of some physicians to the Sports Medicine Institute will not have a negative impact on the Orthopaedics Clinic in the Phillips Wangenstein Building. Historically, the Orthopaedics Department has utilized clinic space to its maximum potential. In addition, the Department of Orthopaedics is adding a minimum of three new physicians to its staff in the next fiscal year. It anticipates that the renovated clinic on campus will not be able to accommodate the new faculty's clinic time requests. The expanded

**Sports Medicine Institute  
Off-site Location Proposal**

clinic availability, both off-site and on campus, will fill the immediate need to alleviate appointment backlogs and allow the new physicians to build their practices.

Consolidating the therapy and medical programs to one site will improve the quality of care, allow the services to offer extended hours, integrate services, and provide easier access both to physicians and therapists.

Currently, the diverse locations of outpatient services prohibit many staff efficiencies. In addition, the market demand for physical therapists is high nation-wide, making staff retention and recruitment a growing concern. Consolidating the services and related equipment in one location will increase efficiencies, allow the staff to carry a greater and more varied patient load, and provide a comfortable and interesting work site for valued employees.

**III. LOCATION**

Two alternatives were researched: leasing space or purchasing land and constructing a facility. Since (1) the program currently is not big enough to support a stand-alone facility, (2) the purchase of land and construction would take a minimum of two years, and space and program constraints dictate a more aggressive time line, and (3) no land or building of adequate size and appropriate purchase price is immediately available near the campus, the rental of space in an existing building is the preferred option.

Research is progressing on two alternative locations. One alternative is the Minneapolis Business and Technology Center, located at 511 Eleventh Avenue South, near the southeast corner of the Metrodome. Situated as it is on the edge of downtown directly across from the West Bank campus, the building has high visibility from downtown and the expressways, and good access for the general population. The second alternative is 2610 University Avenue, one block west of the intersection of Highway 280 and University Avenue.

The criteria being used to evaluate the sites are: the benefit of a downtown location versus a University Avenue location, convenience for patients, parking availability, accessibility for the disabled, and attractiveness of the building and the surrounding area.

#### IV. FINANCIAL PROJECTIONS

Financial projections for the clinic and therapies are attached. Because lease rates and the cost of leasehold improvements for the two site options are equivalent, one set of financial projections is applicable to either location.

Exhibit B summarizes the assumptions used to develop the plan, including visit projections, staffing, clinic charges, deductions from charges, and leasehold improvement costs. The charges detailed in the exhibits are the clinic fees only, and do not include physicians' professional fees. UMHC and Orthopaedics have agreed that the combined clinic and professional fee will be competitive in the Twin Cities market, and have priced their separate fees accordingly.

Third party payers will see no difference in charging mechanisms from either UMHC or Orthopaedics. The Hospital is moving an already-existing program to a new location, and there is no need to negotiate new pricing structures or develop new contracts with any payer. The new Workers' Compensation legislation and changes in Medical Assistance reimbursement will have a negative impact on the level of reimbursement for approximately 29% of the clinic patients and 18% of the therapy patients. This impact is reflected in increased deductions from charges detailed in Exhibit B, and reflected in the figures in Exhibits C and D.

Exhibit C is the five year financial projection for the medical clinic. The detailed expenses are UMHC expenses, and do not include physicians' salaries or Orthopaedic overhead. Using conservative estimates, the clinic will break even in the second year of operation and will realize a 13% margin in the fourth year. After the third year, margins increase dramatically since leasehold improvements are recovered in the first three years. Exhibit D is the five year financial projection for therapy services. Therapies have a small loss in the first year, achieve a 1% contribution margin (surplus over net revenues) by the second year, and 9.6% contribution margin by the fourth year.

Leasehold improvement expenses total \$345,000, and equipment purchases total \$275,000. The total initial capital outlay is \$620,000, which is scheduled to be taken from reserves.

**Sports Medicine Institute  
Off-site Location Proposal**

**V. REQUIRED APPROVAL**

Approval from the Board of Governors is required, since the total project exceeds \$600,000. Regential approval is not specifically required, since the project is included in the Hospital's capital budget, and the lease does not exceed three years.

EXHIBIT A

**THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
SPORTS MEDICINE INSTITUTE**

**INPATIENT ACTIVITY**

	<u>1991 ACTIVITY</u>	<u>PROJECTED ADDITIONAL ACTIVITY</u>
<b>NUMBER OF VISITS</b>	<b>1,635</b>	<b>2,441</b>
<b>NUMBER OF ADMISSIONS</b>	<b>154</b>	<b>230</b>
<b><u>Patient Care Charges</u></b>		
Laboratory	\$41,137	\$61,438
Operating Room	295,742	441,693
Pharmacy	91,020	135,939
Miscellaneous	67,839	101,318
Room & Board	289,367	432,171
Supply	253,888	379,183
Take Home	4,041	6,035
X Ray	19,035	28,429
Professional Fees	<u>31,035</u>	<u>46,351</u>
<b>TOTAL</b>	<b>\$1,093,104</b>	<b>\$1,632,557</b>
Deductions from Charges	<u>(156,393)</u>	<u>(233,573)</u>
<b>NET REVENUE</b>	<b>\$936,711</b>	<b>\$1,398,984</b>
<b><u>Expenditures</u></b>		
Direct	573,428	856,418
Indirect	<u>347,441</u>	<u>518,905</u>
<b>TOTAL</b>	<b>\$920,869</b>	<b>\$1,375,323</b>
<b>NET INCOME</b>	<b>\$15,842</b>	<b>\$23,661</b>

\*\* Revenue and expense increases are proportional to volume increases.

EXHIBIT B

SPORTS MEDICINE INSTITUTE  
BUDGET ASSUMPTIONS

VOLUME

Physician Volume:

Year One: 6,000 visits  
Years Two through Five: 7,200 visits

Therapy Volume:

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Sports Medicine	8,247	8,904	9,076	9,250	9,428
Hand & Spine	4,913	5,172	5,275	5,381	5,488
Industrial Rehab	396	396	396	396	396
Industrial Consulting	72	96	96	96	96

STAFFING

Clinic:

<u>Job Classification</u>	<u>Full Time Equivalent</u>				
	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Manager	0.10	0.10	0.10	0.10	0.10
Clerical	1.20	1.20	1.20	1.20	1.20
Gen Staff Nurse	1.00	1.00	1.00	1.00	1.00
Lic Prac Nurse	1.00	1.00	1.00	1.00	1.00
Radiology Technician	1.00	1.20	1.20	1.20	1.20

Therapies:

<u>Job Classification</u>	<u>Full Time Equivalent</u>				
	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Manager	0.60	0.70	0.80	1.00	1.00
Physical Therapists	6.00	6.25	6.45	6.50	6.50
Occupational Ther	4.00	4.25	4.15	4.25	4.50
Clerical/Support	3.00	3.30	3.40	3.80	3.80

DEDUCTIONS FROM CHARGES

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Clinic:	30.37%	31.01%	31.64%	32.27%	32.90%
Therapies:	22.81%	23.20%	23.58%	23.97%	24.35%
Ind Rehab:	5.00%	7.00%	9.00%	11.00%	13.00%

LEASE EXPENSES

LEASE COST (PER SQ FT) \$11.50

USABLE SQAURE FEET: 12,000

COMMON SPACE SURCHARGE: Add 15% to the usable square footage

CLINIC SPACE: 3,800 square feet (3,300 usable)

THERAPY SPACE: 10,000 square feet (8,700 usable)

LEASEHOLD IMPROVEMENTS: \$25.00 per square foot

DEPRECIATION

5 year straight-line depreciation on leasehold improvements

5 year straight-line depreciation on all equipment except X-Ray

10 year straight-line depreciation on X-Ray equipment

Depreciation expense increases 5% per year in anticipation of recurring equipment purchases



OTHER ASSUMPTIONS

CLINIC:

**FACILITY/PROCEDURES CHARGE**

Average Charge: \$36.00 year one; 7% increase yrs 2 through 5

**X-RAY**

Volume: One-third of patient visits

Average Charge: \$86.00 year one; 7% increase yrs 2 through 5

**LABORATORY SPECIMEN COLLECTIONS**

Volume: 5% of patient visits

Charge: \$7.00 year one; 7% increase years two through five

**FRINGE BENEFITS**

26% of salaries

THERAPIES:

**PROCEDURES CHARGES**

Average Charge, Year One:	Sports Medicine	\$ 65
	Biomechanical	\$ 106
	Hand	\$ 65
	Spine	\$ 85
	Ind Rehab	\$ 340
	Ind Consult	\$ 110

7% increase years two through five

**FRINGE BENEFITS**

25% of salaries

June 18, 1992

**THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
SPORTS MEDICINE INSTITUTE**

**MEDICAL CLINIC  
FIVE YEAR FINANCIAL PROJECTION**

	<u>YEAR ONE</u>	<u>YEAR TWO</u>	<u>YEAR THREE</u>	<u>YEAR FOUR</u>	<u>YEAR FIVE</u>
<b><u>REVENUE</u></b>					
VISIT CHARGES	216,000	280,800	302,400	324,000	345,600
LAB (SPECIMEN COLLECTING)	2,100	2,646	2,790	2,934	3,082
RADIOLOGY	172,000	220,848	232,848	252,845	270,544
<b>TOTAL GROSS REVENUE</b>	390,100	504,294	538,038	579,779	619,226
<b>DEDUCTIONS FROM CHARGES</b>	<u>(118,473)</u>	<u>(156,382)</u>	<u>(170,235)</u>	<u>(187,095)</u>	<u>(203,725)</u>
<b>SUBTOTAL NET REVENUE</b>	271,627	347,912	367,803	392,684	415,500
<b>HEALTH RIGHT TAX RECOVERY</b>	<u>1,358</u>	<u>3,479</u>	<u>3,678</u>	<u>3,927</u>	<u>4,155</u>
<b><i>TOTAL NET REVENUE</i></b>	<b><u>272,985</u></b>	<b><u>351,392</u></b>	<b><u>371,481</u></b>	<b><u>396,611</u></b>	<b><u>419,655</u></b>
<b><u>EXPENSES</u></b>					
<b>CLINIC PERSONNEL</b>	139,241	154,962	162,706	170,851	179,411
<b>FRINGE BENEFITS</b>	<u>36,203</u>	<u>40,290</u>	<u>42,304</u>	<u>44,421</u>	<u>46,647</u>
<b><i>TOTAL PERSONNEL EXPENSES</i></b>	<b>175,444</b>	<b>195,252</b>	<b>205,010</b>	<b>215,272</b>	<b>226,057</b>

**THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
SPORTS MEDICINE INSTITUTE**

**MEDICAL CLINIC  
FIVE YEAR FINANCIAL PROJECTION**

	<u>YEAR ONE</u>	<u>YEAR TWO</u>	<u>YEAR THREE</u>	<u>YEAR FOUR</u>	<u>YEAR FIVE</u>
<b>NON-PERSONNEL EXPENSES</b>					
Temporary Personnel	5,173	5,432	5,703	5,988	6,288
Rent	43,700	43,700	43,700	48,070	48,070
Moving Expenses	2,475	0	0	0	0
Office Supplies	600	630	662	695	729
Medical/Linen Supp/Equip	6,600	8,316	8,732	9,169	9,627
Radiology Supplies	10,000	14,969	15,717	16,503	17,328
Continuing Education	500	525	551	579	608
Advertising/Marketing	2,500	2,625	2,756	2,894	3,039
Journals/Subscriptions	500	525	551	579	608
Educational Materials	500	525	551	579	608
Mail/Copy/Courier	5,400	5,670	5,953	6,251	6,564
Phone	1,600	1,680	1,764	1,852	1,945
Pager	300	315	331	347	365
Depreciation-- Equipment	25,000	26,250	27,563	28,941	30,388
Depreciation-- Leasehold Improvements	31,667	31,666	31,666	0	0
HealthRight Tax	2,716	6,958	7,356	7,854	8,310
<b>TOTAL NON-PERSONNEL EXPENSES</b>	<b>139,231</b>	<b>149,786</b>	<b>153,556</b>	<b>130,300</b>	<b>134,478</b>
<b>TOTAL EXPENSES</b>	<b><u>314,675</u></b>	<b><u>345,038</u></b>	<b><u>358,566</u></b>	<b><u>345,572</u></b>	<b><u>360,535</u></b>
<b>SURPLUS/(DEFICIT)</b>	<b>(41,690)</b>	<b>6,353</b>	<b>12,915</b>	<b>51,039</b>	<b>59,120</b>
<b>CONTRIBUTION MARGIN</b>	<b>-15.35%</b>	<b>1.83%</b>	<b>3.51%</b>	<b>13.00%</b>	<b>14.23%</b>

**THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
SPORTS MEDICINE INSTITUTE**

**OUTPATIENT PHYSICAL THERAPY AND REHABILITATION  
FIVE YEAR FINANCIAL PROJECTION**

	<u>YEAR ONE</u>	<u>YEAR TWO</u>	<u>YEAR THREE</u>	<u>YEAR FOUR</u>	<u>YEAR FIVE</u>
<b><u>REVENUE &amp; VOLUME</u></b>					
<b><u>ACTIVITY</u></b>					
SPORTS MEDICINE THERAPY	546,937	634,824	682,588	749,360	809,866
HAND THERAPY	208,221	236,040	254,486	280,640	304,130
SPINE FITNESS THERAPY	145,350	163,800	178,092	194,792	212,010
MEDICAL EQUIPMENT AND SUPPLIES	<u>20,000</u>	<u>21,000</u>	<u>22,050</u>	<u>23,152</u>	<u>24,310</u>
TOTAL REVENUE -- THERAPY	920,508	1,055,664	1,137,216	1,247,944	1,350,316
INDUSTRIAL REHABILITATION	146,040	149,772	160,212	171,456	183,288
DEDUCTIONS FROM CHARGES -- THERAPY	(209,968)	(244,914)	(268,156)	(299,132)	(328,802)
DEDUCTIONS FROM CHARGES -- IND REHAB	<u>(7,302)</u>	<u>(10,484)</u>	<u>(14,419)</u>	<u>(18,860)</u>	<u>(23,827)</u>
SUBTOTAL NET REVENUE	849,278	950,038	1,014,853	1,101,408	1,180,975
HEALTH RIGHT TAX RECOVERY	<u>4,246</u>	<u>9,500</u>	<u>10,149</u>	<u>11,014</u>	<u>11,810</u>
<b><u>NET REVENUE</u></b>	<b><u>853,524</u></b>	<b><u>959,538</u></b>	<b><u>1,025,002</u></b>	<b><u>1,112,422</u></b>	<b><u>1,192,785</u></b>
<b><u>EXPENSES</u></b>					
<b>PERSONNEL</b>					
Manager	30,488	38,424	46,109	60,528	63,565
Physical Therapy	217,974	242,897	262,812	277,458	290,922
Occupational Therapy	134,597	154,441	158,382	170,314	189,379
Clerical and Office Staff	<u>72,181</u>	<u>82,002</u>	<u>88,287</u>	<u>103,192</u>	<u>108,364</u>
TOTAL SALARIES	455,240	517,764	555,590	611,492	652,230
FRINGE BENEFITS	<u>113,810</u>	<u>129,545</u>	<u>139,120</u>	<u>153,423</u>	<u>163,710</u>
<b>TOTAL PERSONNEL EXPENSES</b>	<b>569,050</b>	<b>647,309</b>	<b>694,710</b>	<b>764,915</b>	<b>815,940</b>

**THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
SPORTS MEDICINE INSTITUTE**

**OUTPATIENT PHYSICAL THERAPY AND REHABILITATION  
FIVE YEAR FINANCIAL PROJECTION**

	<u>YEAR ONE</u>	<u>YEAR TWO</u>	<u>YEAR THREE</u>	<u>YEAR FOUR</u>	<u>YEAR FIVE</u>
<b>NON-PERSONNEL</b>					
Rent	115,000	115,000	115,000	126,500	126,500
Moving Costs	5,025	0	0	0	0
Office Supplies	2,500	2,678	2,869	3,012	3,226
Medical Supplies	32,000	34,272	36,705	39,311	41,245
Cont Ed & Travel	9,000	9,639	10,121	10,627	11,158
Marketing & Advertising	6,000	6,300	6,615	6,946	7,293
Journals & Subscriptions	1,500	1,575	1,654	1,736	1,823
Postage & Mailing	1,000	1,050	1,103	1,158	1,216
Courier Service	500	525	551	579	608
Phones	3,200	3,360	3,528	3,704	3,890
Pager	420	441	463	486	511
Depreciation on Equipment	20,000	21,000	22,050	23,153	24,311
Dep on Leasehold Improvements	83,334	83,333	83,333	0	0
Linen	600	630	662	695	729
Uniform Allowance	500	563	591	621	652
HealthRight Tax	8,493	19,001	20,297	22,028	23,620
<b>TOTAL NON-PERSONNEL EXPENSES</b>	<b>289,072</b>	<b>299,367</b>	<b>305,542</b>	<b>240,556</b>	<b>246,782</b>
<b>TOTAL EXPENSES</b>	<b>858,122</b>	<b>946,676</b>	<b>1,000,252</b>	<b>1,005,471</b>	<b>1,062,722</b>
<b>SURPLUS/(DEFICIT)</b>	<b>(4,598)</b>	<b>12,862</b>	<b>24,750</b>	<b>106,951</b>	<b>130,063</b>
<b>CONTRIBUTION MARGIN</b>	<b>-0.54%</b>	<b>1.34%</b>	<b>2.41%</b>	<b>9.61%</b>	<b>10.90%</b>

# UNIVERSITY OF MINNESOTA

*The University of Minnesota Hospital and Clinic*

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

June 18, 1992

TO: Members of the Board of Governors Finance Committee and  
Planning and Development Committee

FROM: Greg Hart  
Senior Associate Director

SUBJECT: 1992-1993 Capital Budget

Enclosed please find the proposed 1992-93 capital budget. Our operating budgets assumed cash flow for equipment and remodeling of \$8,200,000.

As the attached summary indicates, we are recommending an equipment and remodeling budget next year of \$8,200,000. While slight modifications in specific allocation may occur, the \$8,200,000 total capital budget will remain constant. Of this amount, \$6,427,868 is for equipment purchases. The remainder is for remodeling. A departmental breakdown of the equipment and remodeling budgets are attached.

We are requesting Committee and Board approval for the recommended total \$8,200,000 capital budget at the June meetings. We will be reporting actual capital expenditures compared to budget on a quarterly basis during the fiscal year, consistent with Board policy. Major capital expenditures and special capital projects will be brought forward individually at later dates.

A preliminary draft of this material was reviewed by the Clinical Chiefs Capital Budget Advisory Committee on June 18th. Final review, relative to the departmental allocations, will occur in July.

We will be happy to answer any questions you may have on June 24th.

/th

Attachments

	Prior Years 1989 - 1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Total
<b>APPROVED PROJECTS</b>											
1. Surgical Pathology	1,043,379	0	0	0	0	0	0	0	0	0	1,043,379
2. Dermatology Clinic	809,018	0	0	0	0	0	0	0	0	0	809,018
3. Replace MRI - I	0	1,920,000	1,080,000	0	0	0	0	0	0	0	3,000,000
4. MRI - II	3,626,628	0	0	0	0	0	0	0	0	0	3,626,628
5. GUHCC	2,223,035	126,965	0	0	0	0	0	0	0	0	2,350,000
6. Cancer Center	0	142,857	142,857	142,857	142,857	142,857	142,857	142,857	0	0	1,000,000
7. Masonic III	1,658,141	0	0	0	0	0	0	0	0	0	1,658,141
8. CT Scanner	1,210,000	0	0	0	0	0	0	0	0	0	1,210,000
9. Computer Upgrade	1,378,000	0	0	0	0	0	0	0	0	0	1,378,000
10. Neuroradiology Upgrade	30,000	1,440,000	0	0	0	0	0	0	0	0	1,470,000
11. Heart Cath	13,109	2,086,891	1,000,000	0	0	0	0	0	0	0	3,100,000
12. CV Radiology	800,000	0	0	0	0	0	0	0	0	0	800,000
13. Linear Accelerator	0	450,000	900,000	0	0	0	0	0	0	0	1,350,000
14. Practice Acquisition	0	4,148,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	8,946,000
15. Other Miscellaneous Capital	200,989	0	0	0	0	0	0	0	0	0	200,989
Approved Projects Subtotal	12,992,299	10,312,713	3,722,857	742,857	742,857	742,857	742,857	742,857	600,000	600,000	31,942,155
<b>ANTICIPATED PROJECTS</b>											
1. Replace CT Scanners	0	0	1,369,500	0	1,369,500	0	0	0	0	1,210,000	3,949,000
2. Replace Linear Accel	0	0	520,000	1,583,000	0	0	0	0	0	1,583,000	3,686,000
3. Computer Upgrade	0	2,190,000	2,760,000	2,846,000	2,820,000	2,006,000	2,516,000	4,500,000	2,500,000	2,910,000	25,048,000
4. Neuroradiology Upgrade	0	0	1,440,000	860,000	0	0	0	0	0	0	2,300,000
5. Neurorad Gamma Camera	0	0	800,000	0	0	0	0	0	0	0	800,000
6. Stem Cell Support	0	0	1,281,000	502,000	528,000	0	0	0	0	0	2,311,000
7. Anticipated New Technology/Program Develop	0	0	2,000,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	12,500,000
8. Heart Cath	0	0	2,350,000	1,950,000	0	0	0	0	0	0	4,300,000
9. Laboratories/Mayo 2 Remodeling	0	0	1,400,000	0	0	0	0	0	0	0	1,400,000
10. CV Surgery Replace Room 7	0	0	0	1,500,000	0	0	0	0	0	0	1,500,000
11. BMT/ICU Reconfiguration	89,202	0	0	0	0	0	0	0	0	0	89,202
12. Parking Ramp	0	0	1,000,000	0	0	0	0	0	0	0	1,000,000
13. MTS Overhaul/Replacement	0	0	600,000	0	0	0	0	0	0	0	600,000
14. Practice Acquisition	0	0	7,500,000	7,500,000	0	0	0	0	0	0	15,000,000
15. PACU Remodel	0	0	800,000	0	0	0	0	0	0	0	800,000
16. C-ARM Digital Equipment	0	0	0	1,662,500	0	0	0	0	0	0	1,662,500
Anticipated Projects Subtotal	89,202	2,190,000	23,820,500	19,903,500	6,217,500	3,506,000	4,016,000	6,000,000	4,000,000	7,203,000	76,945,702
<b>ANNUAL EQUIPMENT AND REMODELING PROJECTS</b>											
Actual/Anticipated Expenditures	10,848,448	8,511,000	8,200,000	8,800,000	9,400,000	10,000,000	10,600,000	11,200,000	11,800,000	12,400,000	101,759,448
Net Equipment Rollforward	8,621,745	6,233,575	0	0	0	0	0	0	0	0	14,855,320
Annual Equip and Remod Subtotal	19,470,191	14,744,575	8,200,000	8,800,000	9,400,000	10,000,000	10,600,000	11,200,000	11,800,000	12,400,000	116,614,768
<b>ANNUAL PRINCIPAL &amp; LEASE PAYMENTS</b>											
Fixed Rate Bond Principal Payments	7,375,000	2,490,000	2,650,000	2,830,000	3,015,000	3,230,000	3,455,000	3,705,000	3,975,000	4,270,000	36,995,000
VRDB Principal Payments	0	0	0	0	0	1,681,000	1,681,000	1,681,000	1,681,000	1,681,000	8,405,000
Existing Capital Lease Payments	2,784,302	600,583	609,936	568,883	528,078	0	0	0	0	0	5,271,782
Annual Principal Payments Subtotal	10,159,302	3,290,583	3,259,936	3,398,883	3,543,078	4,911,000	5,136,000	5,386,000	5,656,000	5,951,000	50,671,782
Subtotal	42,690,994	30,537,871	39,003,293	32,845,240	19,903,435	19,159,857	20,494,857	23,328,857	22,056,000	28,154,000	276,174,405
Renewal Project Phase II	1,420,124	1,078,654	8,568,355	10,982,868	0	0	0	0	0	0	22,050,000
Annual Capital Requirement Total	44,111,118	31,616,525	47,571,648	43,828,108	19,903,435	19,159,857	20,494,857	23,328,857	22,056,000	28,154,000	298,224,405

June 18, 1992

## 1992/1993 CAPITAL BUDGET

	<u>BUDGET</u>
Equipment	\$6,427,868
Remodeling	\$1,772,132
<b>GRAND TOTAL</b>	<b>\$8,200,000</b>



June 18, 1992

## THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC CAPITAL EQUIPMENT BUDGET FOR FISCAL YEAR 92/93

<u>DEPARTMENT</u>	<u>BUDGET</u>
Ambulatory Care	\$418,173
Biomedical Engineering	\$14,600
Cardio-Respiratory	\$1,070,755
Closed Circuit TV	\$40,017
Communications	\$50,300
CUHCC	\$26,100
Environmental Services	\$65,100
Finance	\$79,469
Healthcare Network	\$30,500
Home Health	\$28,068
Hospital Administration	\$85,500
Hospital Facilities	\$2,700
Human Resources	\$4,025
Information Services	\$894,539
Laboratories	\$960,282
Maint. & Operations	\$24,725
Materials/CSP	\$217,600
Medical Records	\$25,345
Neurology Lab	\$76,000
Nursing Services	\$187,621
Nutrition Services	\$12,172
Operating Room	\$524,220
Patient Relations	\$12,325
Pharmacy	\$32,901
Protection Services	\$1,500
Quality Assurance	\$10,188
Radiology	\$1,378,422
Rehabilitation Center	\$42,746
Social Work	\$4,000
Therapeutic Radiology	\$107,975
<b>Grand Total</b>	<b>\$6,427,868</b>

June 18, 1992

**THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
CAPITAL REMODELING BUDGET FOR FISCAL YEAR 92/93**

<u>DEPARTMENT</u>	<u>BUDGET</u>
Ambulatory Care	\$255,000
Biomedical Engineering	\$6,000
Bone Marrow Transplant	\$82,000
Environmental Services	\$20,000
Hospital Facilities	\$256,457
Information Services	\$34,500
Laboratories	\$97,800
Neurology Lab	\$150,000
Maint. & Operations	\$434,250
Materials/CSP	\$19,300
Medical Records	\$27,100
Nursing Services	\$120,300
Nutrition	\$34,925
Parking Services	\$68,500
Pharmacy	\$31,500
Protection Services	\$14,000
Radiology	\$120,500
<b>GRAND TOTAL</b>	<b>\$1,772,132</b>

Planning & Dev. Committee Review:	June 24, 1992
Finance Committee Review:	June 24, 1992
Board of Governors Review:	June 24, 1992

**MAJOR CAPITAL EXPENDITURE REPORT**

**EQUIPMENT:** Color Doppler Ultrasound System

**PURCHASE PRICE:** \$204,445

**DESCRIPTION:** The Department of Radiology wishes to act on the budgeted replacement and upgrade of a Biosound peripheral vascular ultrasound unit originally purchased in 1987. The amount of \$150,000 was allocated and approved in the department's 1991-92 capital budget. The purchase of a replacement upgraded unit will cost the department \$204,445. The marginal difference is financially supported from budgeted funds initially designated for ultrasound transducers no longer required as a result of purchasing this system.

The need to replace and upgrade this ultrasound unit is documented by the continued growth in all ultrasound imaging by this department.

1988-89	9,809	(+25.1%)	
1989-90	10,641	(+ 8.5%)	
1990-91	12,127	(+14.0%)	
1991-92	13,621	(+12.3%)	(est.)

The purchase of a color doppler system to replace the Biosound unit will allow the department to expand our ultrasound imaging capabilities in order to better address the growth in the type of ultrasound exams reflected in the volumes referenced above. For example:

<u>Exams</u> <sup>1</sup>	<u>Marginal \$</u>
Selective Echography	\$22,331.10
Hepatic Echography	27,424.60
Renal Biopsy	28,440.00
Gallbladder Echography	57,736.00
Renal Echography	75,792.50
Carotid Ultrasound	91,769.10

<sup>1</sup>reflects marginal growth and gross billable charges for the period 1988-1992.

Submitted By: Helen Pitt  
 Title: Associate Director

Approved By: [Signature]  
 Title: Senior Associate Director

# UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

Harvard Street at East River Parkway  
Minneapolis, MN 55455

June 24, 1992

**TO:** Board of Governors Finance Committee  
**FROM:** Clifford P. Fearing  
**SUBJECT:** Report of Operations for the Period  
July 1, 1991 through May 31, 1992

The Hospital's operations for the month of May reflect inpatient census and outpatient encounters to be less than budgeted levels.

**INPATIENT CENSUS:** For the month of May, inpatient admissions totaled 1,432 which was 97 under budgeted admissions of 1,529. Our overall average length of stay for the month was 7.4 days. Patient days for May totaled 11,003 and were 1,126 days under budget. The areas in which admissions were most significantly under budget were Pediatrics, Urology, and Gynecology. Admissions were significantly over budget in the areas of Neurosurgery, Neurology, and Family Practice.

**OUTPATIENT CENSUS:** Outpatient encounters (including CUHCC and Home Health) for the month of May totaled 30,356 which was 305, or 1.0%, less than budgeted visits of 30,661. CUHCC was 493 or 12.3% over budget and Home Health was 293 or 32.9% over budget. Other areas in which encounters were significantly over budget include Surgery, Sports Medicine, Heart Cath Lab (not budgeted for), and Rehabilitation. Rehabilitation includes Cardiac and Speech Rehab which were not budgeted for. Several areas were under budget, the most significant ones being Child Psych, Dermatology, Medicine, Ophthalmology, Orthopedics, and Radiation Therapy.

To recap our census:

Monthly Data					YTD Data					
90/91	91/92	91/92		%	90/91	91/92	91/92		%	
Actual	Budget	Actual	Variance	Var	Actual	Budget	Actual	Variance	Var	
1,474	1,529	1,432	(97)	(6.3)	Admissions	16,720	16,830	16,518	(312)	(1.9)
12,010	12,129	11,003	(1,126)	(9.3)	Patient Days	133,832	136,105	128,241	(7,864)	(5.8)
8.0	7.9	7.4	(0.5)	(6.3)	Avg Length of Stay	8.0	8.1	7.8	(0.3)	(3.7)
387.4	391.2	354.9	(36.3)	(9.3)	Avg Daily Census	399.5	405.0	381.7	(23.3)	(5.8)
68.0	67.9	63.3	(4.6)	(6.8)	Percent Occupancy	69.4	70.3	67.4	(2.9)	(4.1)
28,811	30,661	30,356	(305)	(1.0)	Outpt Encounters	309,966	318,268	320,515	2,247	0.7

**REPORT OF OPERATIONS**  
**May 1992**  
**PAGE 2**

**FINANCIAL OPERATIONS:** The Hospital's Statement of Operations shows expenses being greater than revenues by \$536,000, an unfavorable variance of \$(5,226,000).

Patient care charges through May totaled \$339,772,000, which was 1.4% under budget. Ancillary revenue was \$6,206,000 (6.2%) below budget and routine revenue was \$1,308,000 (0.5%) above budget. Inpatient revenue averaged \$16,209 per admission compared to the budgeted average of \$16,339. Outpatient revenue per outpatient encounter averaged \$225 per visit compared to the budgeted average of \$219.

Deductions from charges totaled \$90,168,000, which was \$5,166,000 (6.1%) over budgeted deductions of \$85,002,000. The variance is largely due to the Medicare and Medical Assistance programs where the average charges per case are higher than projected, thus resulting in higher than anticipated deductions. Other factors contributing to the variance include increased activity with Laboratory Outreach programs, increased write-offs associated with an increase in transplant activity, and increased contract activity from the Veterans Administration Hospital.

Operating expenditures through May totaled \$281,771,000 and were \$7,112,000 (2.5%) below budgeted levels of \$288,883,000. The overall favorable variance was primarily due to lower patient related costs (personnel, drugs and blood) and anticipated expenses that will not be incurred.

**ACCOUNTS RECEIVABLE:** The balance in patient accounts receivable as of May 31, 1992, totaled \$105,812,000 and represented 98.3 days of revenue outstanding. The overall decrease in patient receivables in May is 0.4 days.

**CONCLUSION:** The Hospital's overall operating position for the month of May was positive. We continue to take appropriate actions with regard to our expenditure base to ensure at least a break-even financial position for the fourth quarter of the 1991/92 fiscal year.

**UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
SUMMARY STATEMENT OF OPERATIONS  
FOR THE PERIOD JULY 1, 1991 TO MAY 31, 1992**

	1991-92 Budgeted	1991-92 Actual	Variance Over/(Under) Budget	Variance %
Gross Patient Revenue	\$344,669,000	\$339,772,000	(\$4,897,000)	-1.4%
Deductions From Revenue	85,002,000	90,168,000	5,166,000	6.1%
Net Patient Service Revenue	259,667,000	249,604,000	(10,063,000)	-3.9%
Other Operating Revenue				
Appropriation & Support	12,265,000	12,289,000	24,000	0.2%
Other Revenue	10,958,000	10,688,000	(270,000)	-2.5%
Total Other Revenue	23,223,000	22,977,000	(246,000)	-1.1%
Total Revenue From Operations	282,890,000	272,581,000	(10,309,000)	-3.6%
Operating Expenses:				
Salaries	116,558,000	113,365,000	(3,193,000)	-2.7%
Fringe Benefits	28,192,000	27,260,000	(932,000)	-3.3%
Contract Compensation	18,357,000	18,389,000	32,000	0.2%
Supplies And Services	64,855,000	63,655,000	(1,200,000)	-1.9%
Utilities And Maintenance	10,627,000	11,236,000	609,000	5.7%
General Supplies & Expense	17,412,000	15,535,000	(1,877,000)	-10.8%
Insurance	1,716,000	1,731,000	15,000	0.9%
Depreciation & Amortization	17,902,000	16,849,000	(1,053,000)	-5.9%
Interest	10,527,000	10,812,000	285,000	2.7%
Provision For Uncollectibles	2,737,000	2,939,000	202,000	7.4%
Total Operating Expenses	288,883,000	281,771,000	(7,112,000)	-2.5%
Net Revenue From Operations	(5,993,000)	(9,190,000)	(3,197,000)	
Nonoperating Gains: Investment Income	10,683,000	8,654,000	(2,029,000)	-19.0%
Revenue And Gains In Excess Of Expense	<u>\$4,690,000</u>	<u>(\$536,000)</u>	<u>(\$5,226,000)</u>	

	1991-92 Budgeted	1991-92 Actual	Variance Over/(Under) Budget	Variance %
Admissions	16,830	16,518	(312)	-1.9%
Patient Days	136,105	128,241	(7,864)	-5.8%
Average Length Of Stay	8.1	7.8	(0.3)	-3.7%
Average Daily Census	405.0	381.7	(23.3)	-5.8%
Percentage Occupancy	70.3	67.4	(2.9)	-4.1%
Outpatient Encounters	318,268	320,515	2,247	0.7%

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
BALANCE SHEETS

MAY 31, 1992 AND JUNE 30, 1991

	05/31/92	6/30/91		05/31/92	6/30/91
<b>ASSETS</b>			<b>LIABILITIES AND FUND BALANCES</b>		
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Operating Cash	\$5,720,000	\$13,611,000	Accounts Payable	\$13,160,000	\$11,539,000
Reserve Cash- Third Party Payable	23,813,000	21,246,000	Payable to Third Party Contr. Payors	20,998,000	18,431,000
Reserve Cash- Current Indebtedness	4,654,000	5,721,000	Salaries, Wages and Payroll Taxes	9,890,000	9,833,000
Accounts Receivable			Accrued Vacation	9,271,000	9,233,000
Patient Receivables	105,812,000	95,679,000	Accrued Professional Fees and Physician Compensation	1,449,000	2,171,000
Other Receivables	2,061,000	1,795,000	Contracts Payable	1,966,000	522,000
Third Party Receivable	1,427,000	2,145,000	Construction Retainages	139,000	307,000
Appropriation Receivable	1,511,000	1,325,000	Interest Payable	3,770,000	4,684,000
Promissory Notes Receivable	211,000	0	Current Portion of Long-Term Debt	3,110,000	3,157,000
	-----	-----			
	111,022,000	100,944,000			
Less Allowances for Losses in Collection	(8,335,000)	(7,805,000)			
Less Allowances for Discounts to Third Party Payors	(28,022,000)	(24,620,000)			
	-----	-----			
	74,665,000	68,519,000			
Inventories of Drugs & Supplies	4,706,000	4,723,000			
Prepaid Expenses	548,000	1,061,000			
	-----	-----			
<b>TOTAL CURRENT ASSETS</b>	<b>\$114,106,000</b>	<b>\$114,881,000</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>\$63,753,000</b>	<b>\$59,877,000</b>
<b>ASSETS WHOSE USE IS LIMITED</b>					
Board Designated Assets Available for Assignment					
Cash & Investments	\$52,517,000	\$44,819,000			
Accrued Interest	1,353,000	148,000			
	-----	-----			
	53,870,000	44,967,000			
Cash & Invest for Debt Service	13,000,000	13,000,000	<b>LONG-TERM DEBT, LESS CURRENT PORTION</b>	<b>\$162,222,000</b>	<b>\$165,282,000</b>
Cash & Invest for Working Capital	16,000,000	16,000,000			
	-----	-----			
<b>TOTAL</b>	<b>\$82,870,000</b>	<b>\$73,967,000</b>			
<b>PROPERTY, PLANT, &amp; EQUIPMENT</b>					
Land, Buildings & Improvements	\$192,129,000	\$191,909,000			
Equipment	107,153,000	98,495,000			
	-----	-----			
	299,282,000	290,404,000			
Less Accumulated Depreciation	(150,113,000)	(133,650,000)			
	-----	-----			
	149,169,000	156,754,000			
Construction in Progress	9,309,000	5,581,000			
	-----	-----			
<b>TOTAL PROPERTY, PLANT, &amp; EQUIPMENT</b>	<b>158,478,000</b>	<b>162,335,000</b>			
Assigned Cash & Investments for Construction/Equipment	38,414,000	45,136,000			
	-----	-----			
<b>TOTAL</b>	<b>\$196,892,000</b>	<b>\$207,471,000</b>			
<b>INVESTMENTS HELD BY BOND TRUSTEE</b>	<b>\$17,493,000</b>	<b>\$19,108,000</b>			
<b>PROMISSORY NOTES RECEIVABLE</b>	<b>\$4,407,000</b>	<b>\$0</b>			
<b>OTHER ASSETS</b>					
Deferred Third Party Reimbursement	\$5,793,000	\$6,404,000			
Deferred Debt Expense	932,000	1,009,000			
Deposits and Other	1,216,000	374,000			
	-----	-----			
<b>TOTAL</b>	<b>\$7,941,000</b>	<b>\$7,787,000</b>	<b>UNRESTRICTED FUND BALANCE</b>	<b>\$197,734,000</b>	<b>\$198,055,000</b>
<b>TOTAL ASSETS</b>	<b>\$423,709,000</b>	<b>\$423,214,000</b>	<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$423,709,000</b>	<b>\$423,214,000</b>
	=====	=====		=====	=====
<b>RESTRICTED ASSETS</b>			<b>RESTRICTED FUND BALANCES</b>		
Cash and Investments	\$8,127,000	\$7,416,000	Endowment Funds	\$2,787,000	\$2,553,000
	-----	-----	Gift Funds	5,340,000	4,863,000
	=====	=====		-----	-----
				\$8,127,000	\$7,416,000

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

CASH FLOW

FOR THE PERIOD JULY 1, 1991 TO MAY 31, 1992

OPERATING ACTIVITIES AND NONOPERATING REVENUES:

Excess of operating revenues over operating expenses:	(\$9,190,000)
Noncash revenues and expenses included in operating activity:	
Depreciation and amortization	\$17,582,000
Unreimbursed University G & A services	202,000
Provision for uncollectible accounts	2,939,000
Change in patient receivable and other receivables	(9,591,000)
Change in due from third party reimbursement program	717,000
Change in due to third party reimbursement programs	2,567,000
Change in accounts payable	1,621,000
Change in accrued expenses	(265,000)
Other, net	(312,000)
	-----
Net cash provided by operating activities	\$6,270,000
Nonoperating revenues	\$8,654,000
	-----
Net cash provided by operating activities and nonoperating revenues	\$14,924,000
	-----
INVESTING ACTIVITIES:	
Acquisition of property, plant and equipment	(\$12,915,000)
Funds transferred from other sources	13,000
	-----
Cash outflows for property & plant	(12,902,000)
Increase in promissory notes receivable	(4,618,000)
Increase in assets whose use is limited	(565,000)
	-----
Net cash used in investing activities	(\$18,085,000)
	-----
FINANCING ACTIVITIES:	
Repayment of long-term debt	(\$2,490,000)
Repayment of notes payable	(740,000)
	-----
Decrease in cash and equivalents	(\$3,230,000)
	=====
Cash and cash equivalents at June 30, 1991	\$40,577,000
	-----
Cash and equivalents at May 31, 1992	\$34,186,000
	=====



University of Minnesota Hospital & Clinic  
Statement of Changes in Fund Balance  
For the Period July 1, 1991 through May 31, 1992

	OPERATING FUND	CURRENT DEBT SERVICE FUND	BOARD DESIGNATED FUND	PLANT FUND	TRUSTEE FUND	TOTAL UNRESTRICTED FUNDS
<b>UNRESTRICTED FUNDS</b>						
Beginning Balance	\$53,120,000	\$5,721,000	\$73,967,000	\$46,139,000	\$19,108,000	\$198,055,000
<b>Net Income</b>						
Excess of Revenue over Expense	6,753,000					
Interest Income on Reserves			7,161,000			
Depreciation Expense				(16,773,000)		
Gain on Disposal of Assets				1,000		
Interest Income on Trustee Held Fund					1,269,000	
Amortization of Deferred Bond Expense				(199,000)		
Amort of Deferred 3rd Party Reimb.				(611,000)		
Interest Income on Bond Proceeds			1,735,000		128,000	
<b>Total Income</b>						(536,000)
<b>Less Expense</b>						
University Support: G & A	202,000					202,000
<b>Transfers Between Funds</b>						
Major Building Projects- Hosp.	(1,128,000)			1,128,000		
Capital Expenditures	(5,218,000)			5,218,000		
Major Equipment Requisition	(740,000)			740,000		
Bond Interest Payment	11,409,000	(10,887,000)			(522,000)	
Bond Principal Payment				2,490,000	(2,490,000)	
Bond Interest Expense Funding	(9,974,000)	9,974,000				
Bond Principal Funding	154,000	(154,000)				
Dermatology Loan Payment	(7,000)		7,000			
Transfer from Gift Fund to Plant				13,000		13,000
<b>Ending Balance</b>	<b>\$54,571,000</b>	<b>\$4,654,000</b>	<b>\$82,870,000</b>	<b>\$38,146,000</b>	<b>\$17,493,000</b>	<b>\$197,734,000</b>

RESTRICTED FUNDS	GIFT	ENDOWMENT	TOTAL
Beginning Balance	\$4,863,000	\$2,553,000	\$7,416,000
Income	674,000	234,000	908,000
Disbursements	(184,000)		(184,000)
Transfer to Plant Fund for Capital Exp.	(13,000)		(13,000)
<b>Ending Balance</b>	<b>\$5,340,000</b>	<b>\$2,787,000</b>	<b>\$8,127,000</b>

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
 ADMISSIONS & AVERAGE LENGTH OF STAY (ALOS) BY SERVICE  
 1990/91 AND 1991/92 COMPARISON

CLINICAL SERVICE	ADMISSIONS							AVERAGE LENGTH OF STAY		
	1990/91		1991/92		CHANGE % CHANGE		1990/91	1991/92		
	MAY YTD	MAY YTD	MAY YTD	MAY YTD	%	FROM	MAY YTD	MAY YTD	CHANGE	
	ACTUAL	BUDGET	ACTUAL	VARIANCE	VARIANCE	PRIOR YR	ALOS	ALOS		
ANESTHESIOLOGY	0	0	1	1		1	0.0	1.5	1.5	
CLINICAL RESEARCH	338	368	280	(88)	-23.9%	(58)	3.4	3.1	(0.3)	
DENTISTRY	6	6	3	(3)	-50.0%	(3)	0.5	2.3	1.8	
ORAL SURGERY	52	45	70	25	55.6%	18	1.6	1.5	(0.1)	
DERMATOLOGY	13	13	15	2	15.4%	2	4.1	7.3	3.2	
FAMILY PRACTICE	34	22	116	94	427.3%	82	4.3	3.3	(1.0)	
GYNECOLOGY	1,229	1,318	1,040	(278)	-21.1%	(189)	4.9	4.8	(0.1)	
MEDICINE	4,101	4,119	4,341	222	5.4%	240	6.4	6.4	0.0	
NEWBORN	323	332	300	(32)	-9.6%	(23)	2.4	1.9	(0.5)	
NEUROLOGY	322	299	334	35	11.7%	12	6.3	6.3	0.0	
NEUROSURGERY	940	898	1,079	181	20.2%	139	6.0	6.3	0.3	
OBSTETRICS	512	515	469	(46)	-8.9%	(43)	3.1	3.0	(0.1)	
OPHTHALMOLOGY	439	430	359	(71)	-16.5%	(80)	2.9	2.7	(0.2)	
ORTHOPEDECS	1,029	1,012	1,059	47	4.6%	30	5.6	5.4	(0.2)	
OTOLARYNGOLOGY	375	375	348	(27)	-7.2%	(27)	4.4	4.2	(0.2)	
PEDIATRICS	2,865	2,966	2,634	(332)	-11.2%	(231)	10.0	9.0	(1.0)	
PHYSICAL MEDICINE & REHAB	184	195	160	(35)	-17.9%	(24)	18.3	18.6	0.3	
PSYCHIATRY ADULT	752	722	695	(27)	-3.7%	(57)	13.9	14.7	0.8	
PSYCHIATRY CHILD	69	57	83	26	45.6%	14	23.2	24.4	1.2	
RADIATION THERAPY	0	0	1	1		1	0.0	1.0	1.0	
RADIOLOGY	27	23	17	(6)	-26.1%	(10)	1.4	1.4	0.0	
SURGERY	2,593	2,653	2,622	(31)	-1.2%	29	9.5	9.4	(0.1)	
UROLOGY	517	462	492	30	6.5%	(25)	4.7	4.9	0.2	
TOTAL	16,720	16,830	16,518	(312)	-1.9%	(202)	8.0	7.8	(0.2)	

**THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC**  
**BOARD OF GOVERNORS**  
**PLANNING & DEVELOPMENT COMMITTEE**

**OCTOBER 28, 1992**

PLANNING AND DEVELOPMENT COMMITTEE  
THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
BOARD OF GOVERNORS  
Wednesday, October 28, 1992  
11:00 a.m. - 12:30 p.m.\*  
The Bridges Conference Room (8-140), University Hospital

AGENDA

		<u>Page</u>
I.	<u>Approval of the June 24, 1992 Planning &amp; Development Committee Minutes</u> ○	Approval 1
II.	<u>Quarterly Purchasing Report</u> -Mark Koenig	Endorsement/ Consent 5
III.	<u>Quarterly Capital Expenditure Report</u> -Greg Hart	Information 17
IV.	<u>Major Capital Expenditure: Electrophysiology Data Management System</u> -Helen Pitt	Information/ Consent 18
V.	<u>Development Office Update</u> -Fred Bertschinger	Information 20
VI.	<u>External Relations Update</u> -Greg Hart	Information
VII.	<u>Other Business</u>	
VIII.	<u>Adjournment</u>	

\*Lunch will be served at 11:00 a.m. in the Bridges Conference Room.

**University of Minnesota Hospital and Clinic  
Board of Governors  
Joint Meeting of Planning and Development Committee and  
Finance Committee**

**June 24, 1992  
Minutes**

**Attendance**

Present:	Leonard Bienias	Terrence Hill
	Robert Dickler	Nellie Johnson
	Michael Dougherty	Arthur Kydd
	Cliff Fearing	John LaBree, M.D.
	Leo Furcht, M.D.	Margaret Matalamaki
	Maria Gomez	John Morrison
	Al Hanser	Ted Thompson, M.D.
	Greg Hart	Vic Vikmanis
	Clint Hewitt	

Absent:	Edward Ciriacy, M.D.	Peter Lynch, M.D.
	William Jacott, M.D.	Roger Paschke
	David Lentz	

Staff:	Giles Caver	Shannon Lorbiecki
	Joanne Disch, Ph.D.	Helen Pitt
	Jean Harris, M.D.	Mary Ellen Wells

**Call to Order**

Ms. Nellie Johnson called the meeting to order at 12:34 p.m.

**Approval of the May 27, 1992 Planning and Development  
Committee Minutes**

The minutes of the May 27, 1992 meeting of the Planning and Development Committee were approved as submitted.

## **Approval of the May 27, 1992 Finance Committee Minutes**

The minutes of the May 27, 1992 meeting of the Finance Committee were approved as submitted.

### **Special Capital Project: Sports Medicine**

Ms. Mary Ellen Wells presented a proposal to consolidate and expand the sports medicine program at an off-site facility. The Hospital intends to lease the required 12,000 square feet of space rather than purchase it. At the May meeting of the Board of Governors, Hospital Administration reported it had been unable to access space at the then proposed location. The Hospital is now considering two alternate sites, either of which would reduce the originally projected leasing expense by 30 to 40 percent.

Ms. Wells also presented a summary marketing plan for the sports medicine program. The proposed program would target University staff, athletes, health clubs, recreational organizations, University and community physicians, and healthcare insurers by offering improved convenience and access, enhanced continuity of care, an athletic atmosphere and responsive environment, and a complete range of state-of-the-art equipment.

Mr. Terrence Hill advised the Hospital to market the proposed program to physicians in Greater Minnesota, and Mr. Arthur Kydd advised the Hospital to also market to the management staff of the Metrodome. Ms. Wells said she would explore the possibility of doing so.

Mr. Robert Dickler said the departments of Orthopaedic Surgery and Radiology are in discussions regarding which clinical service should read radiological films.

The Planning and Development Committee and Finance Committee endorsed the proposed sports medicine program and its leasehold improvements and equipment purchases totalling \$620,000.

## **1992-93 Capital Budget**

Mr. Greg Hart presented the proposed capital budget for Fiscal Year 1992-93. The operating budget endorsed by the Board of Governors at the May meeting assumed cash flow of \$8.2 million for the capital budget, including \$6,427,868 for equipment and \$1,772,132 for remodeling. Most of the proposed equipment expense is intended for radiology, cardio-respiratory services, laboratories, information systems, operating room, and ambulatory care. Most of the proposed remodeling expense is intended for ambulatory care, physical plant, and radiology.

Mr. Michael Dougherty advised the Planning and Development Committee and Finance Committee to consider delaying the endorsement of the full proposed amount until after the strategic planning process is complete. This would enable the Hospital to redirect its resources, should the strategic plan so dictate. Mr. Hart said the Hospital would have no difficulty with Mr. Dougherty's suggestion.

The Planning and Development Committee and Finance Committee endorsed the proposed capital budget for Fiscal Year 1992-93 with the understanding Hospital Administration will spend no more than one-quarter of the full amount before October 1, 1992, and that the matter be discussed again in the fall in the context of the strategic plan.

## **Major Expenditure Report: Color Doppler Ultrasound System**

Ms. Helen Pitt presented, for information, a major expenditure report for a color doppler ultrasound system. In the Fiscal Year 1991-92 capital budget, the system was expected to cost \$150,000. However, the system has since been improved and no longer also requires the purchase of ultrasound transducers. As such, the system now costs \$204,445.

## **May 31, 1992 Financial Statements**

Mr. Cliff Fearing presented the financial statements for May 31, 1992. May inpatient admissions totaled 1,432 or 97 admissions under budget; average length of stay was 7.4 days or 0.5 days under

## **May 31, 1992 Financial Statements (continued)**

budget; and patient days totaled 11,003 or 1,126 days under budget. May average daily census was 354.9, which was below the budgeted level of 391.2. May clinic visits were 1.0 percent under budget.

The year-to-date Statement of Operations showed expenses exceeding revenues by \$536,000, an unfavorable variance of \$5,226,000. Gross patient revenue was 1.4 percent under budget, and operating expenditures were 2.5 percent under budget.

As of May 31, the balance of accounts receivable totaled \$105,812,000 and represented 98.3 days of revenue outstanding.

Mr. Fearing said despite remaining below budget in activity levels, the Hospital had a positive May and expects June to be positive as well.

### **Other Business**

Mr. Fearing presented a proposal to transfer \$1.1 million to Interstate Medical Center to help support its expansion in scope and geography.

The Planning and Development Committee and Finance Committee endorsed the transfer of \$1.1 million to Interstate Medical Center.

### **Adjournment**

There being no further business, the joint meeting of the Planning and Development Committee and Finance Committee was adjourned at 1:53 p.m.

Respectfully submitted,

  
Giles Caver  
Administrative Fellow



# UNIVERSITY OF MINNESOTA

*The University of Minnesota Hospital and Clinic*

*Office of the General Director*

*Box 604  
420 Delaware Street S.E.  
Minneapolis, MN 55455  
Office location:  
B-313 Mayo Memorial Building  
612-626-5003  
Fax: 612-626-3028*

October 22, 1992

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

Attached please find the quarterly purchasing report for the period January-September, 1992. The report will be reviewed at the June 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.

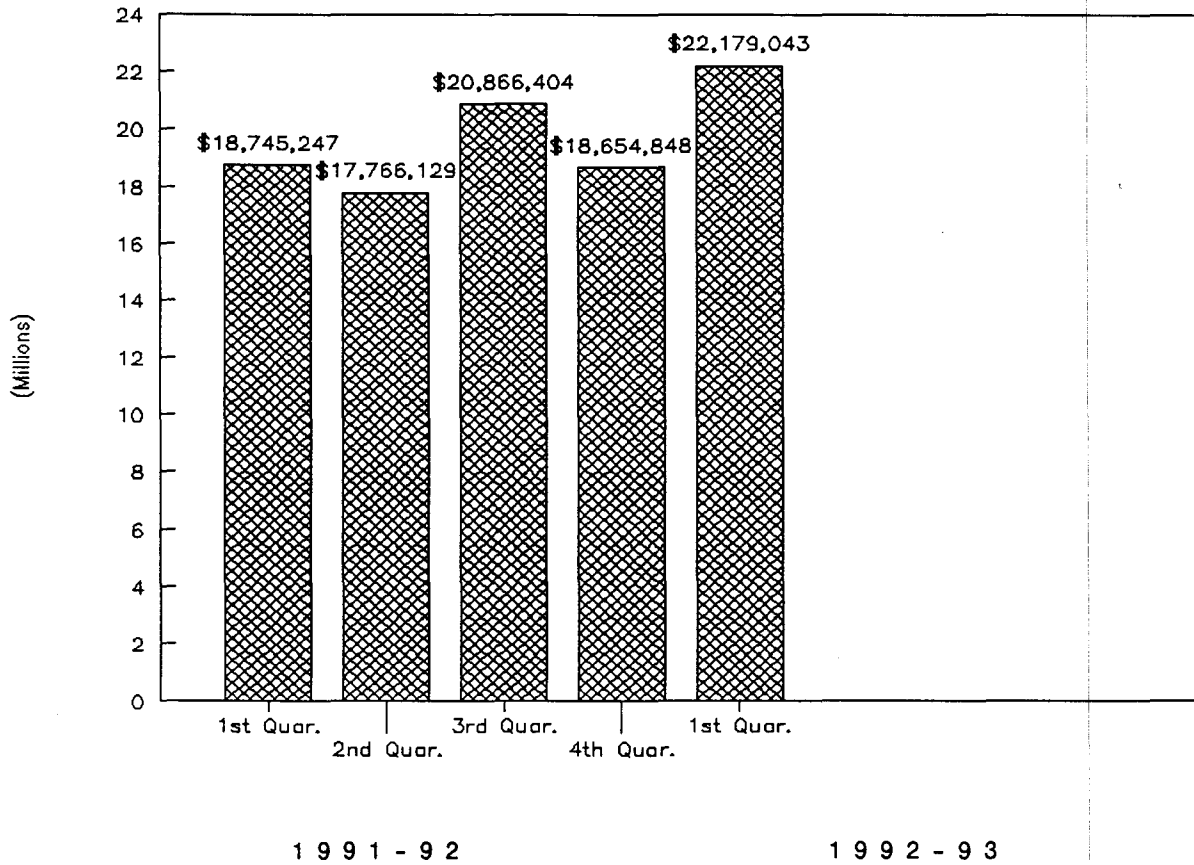
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Attachments

**UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC**  
**ADMINISTRATIVE REPORT ON PURCHASING ACTIVITY**  
**PERIOD OF JANUARY – SEPTEMBER 1992**

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

# PURCHASE ORDER ACTIVITY



## COMBINED ACTIVITY: 3rd & 4th QTRS 1991-92 & 1st QTR 1992-93

	<u>NUMBER</u>	<u>VALUE</u>
PURCHASE ORDERS	27567	\$57,549,086.58
OTHER PAYMENTS	1226	\$2,959,410.34
CONFIRMING ORDERS	<u>811</u>	<u>\$1,191,797.34</u>
<b>TOTAL THIS QUARTER</b>	<u><b>29,604</b></u>	<u><b>\$61,700,294.26</b></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. Sterile Procedure Gloves Small, Medium, & Large	Medline \$ 29,323.28	McKesson \$ 33,707.52	Materials Services
The gloves are too short, and the loose fitting rolled cuff provides only limited protection, The excessive powder causes problems for powder sensitive staff. Also opening instructions on the packaging are unclear.			
2. Tubing, Vital-View Various Styles	McKesson \$ 11,275.26	Medix \$ 11,674.26	Materials Services
Prices bid were not firm for the duration of the contract.			
3. Suture	McKesson Less 13.99% off D & G Consortium Pricing	Medix Less 13.0% off D & G Consortium pricing	O.R
Vendor was unable to correct numerous documented problems and provide consistent quality service for this complex commodity.			
4. Transfer Packs w/Coupler	Cutter Biological \$ 17,232.00	Fenwal \$ 21,840.00	Labs
The transfer packs have been used previously at UMHC and were found unacceptable. The couplers are very pointed and cause puncture of the bags.			

5. Sanek Towels

Baxter  
\$ 16,370.00  
Redline  
\$ 14,950.00

Colonial  
\$16,504.80

Materials Services

Towels are not durable, and shred when wet.

6. Adult Custom  
Monitoring Kit

Abbott  
\$ 95,600.00  
Cobe  
\$ 85,520.00

Viggo Spectramed  
\$ 108,000.00

Cardio/Materials Services

Due to cabling, mounting and functionality, it was necessary that this be an aggregate award. Viggo Spectramed was the only vendor who could supply acceptable products for all lines bid.

7. Mammography Film Viewer

Delta  
\$ 10,226.40  
\$ 10,546.40  
Pacesetter Medical  
\$ 13,750.00

All Med X-Ray  
\$ 13,825.00

Radiology

Alternate standard film viewers do not shut out background light to the degree necessary for viewing mammography films.

8. Peds Radio Fluoroscopy

GE  
\$ 365,077.00  
Philips  
\$ 374,531.00

Picker  
\$ 385,276.00

Radiology

Clinical testing dictated pulsed fluoroscopy for highest quality imaging. Neither the GE or the Philips provide pulsed fluoroscopy.

Alpha Imaging  
\$ 376,592.00  
Northern X-Ray  
\$ 286,900.00

Picker  
\$385,276.00

System was not available for clinical testing, which was a mandatory bid requirement.

9. Ultrasound

Siemens Quantum  
\$ 342,000.00

ATL  
\$ 408,890.00

Radiology

Transducers for required imaging capabilities are not available. Transrectal probes are not provided, and annular array probes are limited.

Philips  
\$ 260,000.00

ATL  
\$ 408,890.00

Of seven transducers needed for required imaging capabilities, only three are available. The wall filter does not go down to the required 25 Hz, and near field resolution imaging performance is inferior.

10. Linear Accelerator

Philips  
\$ 1,034,738.00

Varian  
\$ 1,307,000.00

Therapeutic Radiology

Computer networking capabilities to allow exchange of treatment data between machines is not available. The Philips Accelerator is magnetron based versus the preferred Klystron, which is considered more economical, and provides superior operational stability.

11. Argon Laser  
& Ophthalmoscope

Nidek  
\$ 35,800.00

Coherent  
\$ 50,500.00

O.R.

Illumination source is not bright enough to allow good visualization of the fundus. The laser beam is difficult to aim; does not offer protection to the ophthalmologist's eyes.

Med Surg  
\$ 35,600.00

Coherent  
\$ 50,500.00

Illumination source is not bright enough to allow good visualization of the fundus. Possible power surges could potentially cause permanent retinal damage. The indirect illumination source is battery powered, rather than the preferred transformer.

12. Microscope

North Central Instrument  
\$ 18,979.00

Zeiss  
\$ 23,512.00

Labs

Currently there are other Zeiss microscopes in the lab and a compatibility of optics is required. The alternate instrument is more limited in the number of color fluorescence. There is a smaller field of view, and the green filter is unacceptable.

13.	Hypoallergenic Gloves All Sizes	Pharmaseal/Baxter \$ 88,320.00	J & J Surgikos \$ 104,328.00	Materials Services
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Pharmaseal gloves were evaluated in 1990 and were rejected at that time because of loose fit, uneven latex thickness and their propensity to "grow" over time. No changes have been made since.

Medix \$ 80,371.20	J & J Surgikos \$ 104,328.00
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Previous use of this glove was discontinued because of the high incidence of tearing, which significantly reduces cost savings and puts UMHC Staff at risk of contamination.

14.	Disposable Drape Shoulder Pak	Boundary \$ 6,127.00	J & J Medical \$ 11,024.86	O.R.
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Sleeves of the gown ripped during gloving. The gowns are too small.

15.	Disposable Drape Split Sheet w/adhesive	Medix \$ 12,728.10	Baxter \$14,529.90	O.R.
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Sheet does not have adhesive around the opening which is necessary for performance of the product and quality of patient care.

16.	Adult Blood Line	Fresenius \$ 21,056.00	Cobe Gambro \$ 24,816.00	Kidney Diaylsis
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External diameter of the pump segment exceeds equipment specifications.

17.	CVP Triple Lumen 7 Fr Kit & Set	Viggo-Spectramed \$ 52,685.00	Arrow/Kolling \$ 61,005.00	Materials Services
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Catheter is too stiff for efficient placement. Suture wings do not prevent catheter from sliding, which is potentially dangerous to the patient.

BD Vascular Access \$ 45,570.00	Arrow/Kolling \$ 61,005.00
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The catheter is too stiff for efficient placement and the distance markers are difficult to read. The scalpel blade is dull. The nylon suture is hard to tie, and the suture wings are large and awkward.

Burron  
\$ 55,750.00

Arrow/Kolling  
\$ 61,005.00

The catheter is too stiff for efficient placement and the distance markers are difficult to read. The kit does not contain Betadine ointment.

Abbott  
\$ 60,357.00

Arrow/Kolling  
\$ 61,005.00

The samples that were sent were not appropriate for a clinical evaluation; no further consideration was given to this product.

18. Percutaneous Sheath  
6.0 Fr & 8.5 Fr

Baxter Edwards  
\$ 29,400.00

Kolling/Arrow  
\$ 30,800.00

Materials Services

The catheter is difficult to thread through the sheath. The connector, if overtightened, can damage the catheter. Guidewire placement in the drape package can cause it to be easily dropped from the sterile field.



III. SOLE SOURCE-\$5,000 and Over - Combined Activity: 3rd & 4th Qtr 1991-92 & 1st Qtr 1992-93

<u>VENDOR</u>	<u>CONTRACT/PO</u> <u>P.O. #</u>	<u>VALUE</u>	<u>DEPT.</u>	<u>PRODUCT</u>
Baxter	H127633	\$11,700.00	Anesthesia	Auto Syringes
Siemens Medical Systems	H456177	\$5,265.00	Cardio	Exchange Set for Servo 900 Expiratory Inlet
Datascope	H127631	\$5,859.00	Cardio	Equipment for Datascope Machines
Medical Alliances	H125780	\$9,900.00	Cardio-Resp.	Oximeters
Medical Alliance	H606188	\$19,995.00	Cardio-Resp.	Ventilators
Sarns	92-233	\$22,842.00	Cardio-Resp.	Conducer Cardio Plegia Set
Sensor Medics	H124392	\$27,360.00	Cardio-Resp.	Metabolic Measurement System
Space Labs Inc.	H606531	\$37,608.00	Cardio-Resp.	Serial Interface Gateway
Restoration Technologies	H128397	\$15,996.25	Facilities	Parking Ramp Repairs
* Restoration Technologies	H127876	\$52,839.00	Facilities	Cleaning & Sealing Parking Deck Levels
Minnesota State Fair	H607888	\$6,151.00	Human Res.	Tickets
TCT Medical	H125109	\$6,460.00	ISD	Audio Visual Materials
Emtek	H125773	\$8,000.00	ISD	Disk Drives
Mosier Scott Associates	H608148	\$16,884.00	ISD	Bar Code Printers
Datel Medical Storage Systems	H604877	\$5,575.00	Labs	Custom Catheter Cabinet
Fail Safe	H604866	\$5,995.00	Labs	License Fee
Knowledge Data Systems	H607932	\$6,750.00	Labs	Software Modification
Endosonics Corporation	H607638	\$7,000.00	Labs	Catheter Scanner Visions
Midwest Scientific	H601685	\$8,250.00	Labs	Glucose Analyzer
Baxter Fenwal Division	H603428	\$8,352.00	Labs	Apheresis Kit
Zymark Corporation	H123435	\$15,532.50	Labs	Evaporators
TriCord Systems Inc.	H604834	\$23,032.00	Labs	File Server Workstation
Perkin Elmer	H600503	\$24,427.00	Labs	DNA Thermal Cycler
Siemens Medical	H602135	\$36,201.00	Labs	Service Agreement
* Endosonics Corporation	H606618	\$65,000.00	Labs	Sonography System
* Perkin Elmer	H606154	\$70,980.00	Labs	System Upgrade
Dun & Bradstreet	H603882	\$8,000.00	Mat. Svcs.	License Fee
Advanced Medical Systems	92-478	Open	Nursing	Spirometers
NW Artificial Limb and Brace	92-413	Open	Nursing	Custom Manufactured Body Appliances
Advanced Medical Systems	H605626	\$13,750.00	Nursing	Spirometers

	Cobe Gambro	H123420	\$34,890.00	Nursing	Dialyzers
	Storz Instrument Co.	H125776	\$12,000.00	Outpatient	Custom Treatment Cabinets
*	Synectics Medical	H124377	\$60,122.00	Outpatient	Esophageal Manometry
	American Medical Systems	92-232	Open	O.R.	Urological Implants
	Hodapp Surgical	92-301	Open	O.R.	Neurological Implants
	St. Paul Red Cross	92-300	Open	O.R.	Bone Graft Testing and Material
	3M	92-217	Open	O.R.	Ortho L.A.D. Implants
	Medtronic	92-319	Open	O.R.	Neurological Implants
	Stuart	92-254	Open	O.R.	Orthopedic Implants
	Acromed	92-253	Open	O.R.	Orthopedic Implants
	3M	92-320	Open	O.R.	Orthopedic Staples
	Trademark Medical	H123977	\$7,360.00	O.R.	Mayfield Components
	Hodapp Surgical	H458632	\$9,270.00	O.R.	Irrigating Bipolar Tip
	Olympus	H123297	\$9,900.00	O.R.	Bronchofiberscope
	Karl Storz	H125782	\$10,500.00	O.R.	Camera Cord
	Siemens	H126400	\$26,493.00	O.R.	Surgical Table
*	Circon/Acme	H128384	\$55,918.00	O.R.	Thoracoscopy Set
	Baxter	91-451	\$7,700.00	Pharmacy	Nitroglycerin Solution
	Braun Venatech	H604069	\$5,340.00	Radiology	Dual access IVC Filter System
	Rad Cal Corporation	H605170	\$6,275.00	Radiology	Radiation Monitor with converter and accessories
	Radiation Measurements Inc.	H602886	\$6,709.00	Radiology	Doppler Flow System
	Delta Medical Systems	H602839	\$7,500.00	Radiology	Pedestal Type Injector
	Delta Medical	H602839	\$7,500.00	Radiology	Pedestal Injector
	Interventional Therapeutics	H604327	\$13,025.00	Radiology	Tracker Catheters (5 ea)
	Tecmag Inc.	H601232	\$16,400.00	Radiology	Broadband Observe Unit w/Modulator
	Siemens	H602349	\$17,550.00	Radiology	Breast Coil
	Johnson & Johnson	H608552	\$19,980.00	Radiology	Stents
	Johnson & Johnson	H607813	\$19,980.00	Radiology	Stents
	Schneider	H607361	\$28,500.00	Radiology	Wallstents
*	Diversified Diagnostic Products	H123283	\$80,500.00	Radiology	Computerized Tomography System
*	Eastman Kodak	H602343	\$94,700.00	Radiology	Digital Archiving Unit
*	Acuson	H601287	\$95,000.00	Radiology	Sonography Upgrade
*	Siemens	H602483	\$115,000.00	Radiology	MRI Upgrade
	Gibbco	H127414	\$17,766.90	Stem Cell Lab	Laminar Flow Hoods

Baxter Scientific Products	H126536	\$6,642.10	Stem Cell Lab	12 Channel Pipettes, Ice Machines & Balancer
Baxter Scientific Products	H127416	\$28,312.00	Stem Cell Lab	CO2 Incubator
* Becton Dickinson Immunocytometry	H127415	\$275,835.00	Stem Cell Lab	Cell Sorter
Gordon Instruments	H125775	\$6,215.00	Ther. Rad.	Illumination System
Dage - MTI	H126390	<u>\$9,455.00</u>	Ther. Rad.	Digitizing Camera
	<b>TOTAL</b>	<b>\$1,658,041.75</b>		

\* Over \$50,000

IV. VENDOR APPEALS

1. VENDOR NAME/DOLLAR AMOUNT: \*McKesson/\$400,000.00  
NATURE OF PURCHASE: Suture  
INTENDED VENDOR/DOLLAR AMOUNT: \*Medix/\$404,000.00

REASON FOR APPEAL:

There have been numerous documented purchasing and invoicing problems with this vendor in the past. Vendor had been notified in writing of these problems many times as we attempted to work through the issues. Vendor contended that they were making an effort to correct these problems. This is a complex commodity which demands a high level of service. Because of the vendors continued inability to correct these problems, and provide the service needed, the appeal was rejected.

STATUS: Award made to Medix

\* This is a blanket contract. Dollar value is based on estimated O.R. usage.

**UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC**  
**CAPITAL EXPENDITURES**  
**7-1-92 THRU 9-30-92**

RECURRING EQUIP & REMOD EQUIPMENT PURCHASES	ANNUAL BUDGET AND ROLLFORWARD			3-MONTH			ACTUAL EXPENDITURES		
	BUDGET	ROLLFORWARD FROM 6-30-92	TOTAL	BUDGET	3-MONTH ROLLFORWARD	TOTAL	92-93 ACTUAL	91-92 ROLLFORWARD	TOTAL
92-93 BUDGET	\$6,427,868		\$6,427,868	\$1,606,967		\$1,606,967	\$524,442	\$0	\$524,442
ROLLFORWARD		\$5,486,746	\$5,486,746		\$1,371,687	\$1,371,687	\$0	\$650,610	\$650,610
	\$6,427,868	\$5,486,746	\$11,914,614	\$1,606,967	\$1,371,687	\$2,978,654	\$524,442	\$650,610	\$1,175,052
REMODELING PROJECTS									
92-93 BUDGET	\$1,772,132		\$1,772,132	\$443,033		\$443,033	\$71,077		\$71,077
ROLLFORWARD		\$1,835,000	\$1,835,000		\$458,750	\$458,750		\$399,751	\$399,751
	\$1,772,132	\$1,835,000	\$3,607,132	\$443,033	\$458,750	\$901,783	\$71,077	\$399,751	\$470,828
	\$8,200,000	\$7,321,746	\$15,521,746	\$2,050,000	\$1,830,437	\$3,880,437	\$595,519	\$1,050,361	\$1,645,880
PRINCIPLE PAYMENTS									
LAB CHEMICAL ANALIZERS	\$111,671		\$111,671				\$35,642		\$35,642
MRI 2	\$498,262		\$498,262				\$130,447		\$130,447
	\$609,933		\$609,933				\$166,089		\$166,089
TOTAL:	\$8,809,933		\$16,131,679				\$761,608		\$1,811,969

BOND PAYMENTS: \$3,100,000 VARI-RATE BONDS (PAYMENT DUE OCT. 1, 1992)  
\$2,650,000 1986A BOND (PAYMENT DUE FEB. 1, 1993)

CAPITAL PROJECTS:	UMHC FUNDS FROM RESERVES	ADDITIONAL FUNDS FROM OTHER SOURCES	TOTAL BUDGET	1st QUARTER EXPEND. 1992-93	CURRENT & PRIOR YEAR(S) EXPENDITURES
(1) ARCHITECT FEES PH II					\$301,556
(1) AUTOPSY	\$415,000		\$415,000		\$358,841
(1) OB INPT. (TEMP)	\$370,000		\$370,000		\$326,046
(1) REHAB THERAPY SAT.	\$240,000		\$240,000	\$1,229	\$14,491
(1) PYSCH. TEMP RENOV.	\$100,000		\$100,000		\$16,190
(1) UROLOGY TEMP.	\$100,000		\$100,000		\$4,014
(1) MAYO CODE/ABESTOS	\$2,500,000		\$2,500,000		\$5,528
BMTACU 4F	\$100,000		\$100,000		\$89,300
BONE MARRROW TRAN. EXP.	\$220,000		\$220,000		\$303,383
NEURO-ANGIOGRAPHY SYST	\$1,900,000		\$1,900,000	(\$8,500)	\$1,797,059
CUHCC	\$1,800,000	\$550,000	\$2,350,000	\$5,228	\$2,280,291
COMPUTER UPGRADE	\$4,348,000		\$4,348,000	\$195,834	\$1,871,319
AF15 SOFTWARE LICENSE	\$783,000		\$783,000		\$782,157
HEART CATH ROOM	\$3,100,000		\$3,100,000	\$163,185	\$2,865,821
LINEAR ACCELERATOR	\$2,100,000		\$2,100,000	\$589,739	\$934,284
MRI	\$3,000,000		\$3,000,000		\$1,820
BMT - STEM CELL	\$877,000		\$877,000	\$471,074	\$471,074
TOTAL	\$21,953,000	\$550,000	\$22,503,000	\$1,417,789	\$12,423,174

(1) THESE PROJECT COSTS ARE BUDGETED FOR IN THE \$37.62 MILLION RENOVATION PROJECT.

Planning & Dev. Committee Review:	Oct. 28, 1992
Finance Committee Review:	Oct. 28, 1992
Board of Governors Review:	Oct. 28, 1992

## MAJOR CAPITAL EXPENDITURE REPORT

**EQUIPMENT:** Electrophysiology Data Management System

**PURCHASE PRICE:** \$160,000

**DESCRIPTION:**

The Department of Clinical Laboratories wishes to act on the budgeted purchase of a Electrophysiology Data Management System to provide state of the art electrophysiology care. With the advent of catheter-based interventional care in electrophysiology, has come the need for a greater number of amplifiers to handle the greater number of catheters, which in turn record multiple electrograms. Consequently, there is need for increasingly complex analysis of data in the catheterization laboratories.

Benefits

- 1) The most notable benefit is the decreased time required in report generation. Currently it takes seven days to have a report ready for the referring physician. Using the EP Data Management System reports may be available immediately or within 24 hours. This improved reporting time is important to patient care decision making and to the referral service we
  
- 2) Our data is presently recorded on magnetic tape and paper requiring the time of a medical technologists to maintain a study log. This system will automate the study log generation freeing up the time of medical technologist to begin analysis of data while the procedure is still in process. Thus further speeds up report production.

Submitted By: Helen Pitt  
 Title: Associate Director

Approved By: Gregory Hart  
 Title: General Director

- 3) Our present studies require an average of 1000 pages and in turn demands considerable storage space. The computerized data acquisition system stores data on optical disks, with 5 to 10 studies per disk, significantly reducing the storage needs. Based on current usage the space requirements will be reduced by a factor of 36.

EP Study Patients, FY 1991-92

Total Pediatrics

Metro	16
OutState	24
Out of State	<u>24</u>
Total	64

Total Adult

Metro	72
OutState	136
Out of State	<u>39</u>
Total	247

Grand Total	311
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# UNIVERSITY OF MINNESOTA

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*The University of Minnesota Hospital and Clinic*

*Development Office*

*Box 612 UMHC  
Harvard Street at East River Parkway  
Minneapolis, MN 55455  
612-626-6008  
Fax: 612-626-4102*

DATE: October 21, 1992  
TO: Planning and Development Committee  
FROM: Fred Bertschinger *FB*  
SUBJECT: Development Office Report

Attached for your information are summary reports of activities and donations received during FY 1992.

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

/ng



**Contributions Received  
UMHC Development Office  
FY 1992**

	I 7-9/91	II 10-12/91	III 1-3/92	IV 4-6/92	Totals	Goals
Patients Fund	\$ 1,416	\$ 6,287	\$ 5,076	\$ 2,011	\$ 14,790	\$ 9,000
Transplant Asst Fund	4,180	9,608	58,687	1,522	73,997	46,000
Variety Club Pldg	87,592	19,936	137,419	5,832	250,779	700,000
Other Funds	224,794	83,983	32,939	26,761	368,477	445,000
<b>Totals</b>	<b>\$317,982</b>	<b>\$119,814</b>	<b>\$234,121</b>	<b>\$36,126</b>	<b>\$708,043</b>	<b>\$1,200,000</b>
Irrevocable Future Gifts	4				\$1,200,000	
Revocable Future Gifts	4					
					\$1,908,043	
				Total		

Giving Summary

1,949 donors made 3,456 gifts totalling \$1,908,043 to 52 funds.

<u>Gift Ranges</u>	<u>Total Amt</u>	<u>% Total</u>	<u>#Gifts</u>	<u>%Total</u>	<u>Avg Gift</u>
\$ 0 - 49.99	\$38,201	2	3,024	87	\$12.63
\$ 50 - 99.99	\$10,093	1	186	5	\$54.26
\$100 - 249.99	\$17,740	1	146	4	\$121.50
\$250 - 499.99	\$6,574	1	21	1	\$313.08
\$500 - 999.99	\$12,417	1	22	1	\$564.42
\$1,000+	\$1,822,749	95	47	1	\$38,781.91

Activities and Events  
UMHC Development Office  
FY 1992

1992

- July 1 Begin preparation of articles and reports for the Annual Report to Donors.
- July 10 CWA Local 7200/US WEST Direct, Transplant Assistance Fund Campaign, Kickoff.
- July 30 Plan for Childrens Audio Arts project.
- August 1 Begin CWA Local 7200/US WEST solicitors tours and luncheons.
- August 28 Plan new efforts for solicitation of prospects and former donors by University of Minnesota Foundations Annual Giving Staff.
- September 10 CWA Local 7200/US WEST, Transplant Assistance Fund Kickoff.
- September 13 Mark Skogquist Memorial Golf Tournament to benefit leukemia research.
- October 1 Commodores Chorus Recognition Luncheon and presentation of check for \$6,300 for special heart research equipment.
- October 4 Direct mail solicitation of prior year donors for Annual Campaign
- October 19 UMHC Auxiliary Gala Event at International Market Square to benefit the Auxiliary's Shelter Fund. Proceeds approximately \$50,000.
- October 25 Mark Skogquist Memorial Golf Tournament checks presentation at Soo Line offices. Proceeds of \$4,578 for leukemia research.
- November 9 University of Minnesota Presidents Club annual meeting. UMHC Auxiliary recognized as a new member of the Trustees Society (more than \$100,000 in total contributions).
- November 14 National Philanthropy Day and awards luncheon.
- November 20 Toys-R-Us representatives site visit for their Kids Playroom program.
- November 23 Variety Club Association's Toyland Auction fund-raising event.
- December 6 Direct mail solicitation of employees and staff for Annual Campaign.

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- January 15 CWA Local 7200/US WEST Transplant Assistance Fund Campaign check presentation. Donations of \$30,500 and matching gifts of \$25,500 for total of \$56,000.
- January 28 Toys-R-Us representatives second site visit.
- February 12 Telemarketing begins to former donors by students at University of Minnesota Foundation.
- March 9 Planning committee meeting for Clinical Pastoral Education program with Lutheran Social Services.
- March 11 Planning meeting for 1992 CWA Local 7200/US WEST Transplant Assistance Fund Campaign.
- April 25 Variety Club honored Dr. John Najarian as Humanitarian of the Year at the Affair of the Heart Banquet.
- April 29 Minnesota Alumni Association annual meeting. Thirty-four University of Minnesota Hospital and Clinic guests attended to hear Garrison Keiller.
- May 13-14 Sigma Chi Derby Days to benefit Child/Family Life. Proceeds estimated at \$2,000+.
- May 30 Donors treated to Twins game in a donated suite.
- June 25 Turtle Derby to benefit Child/Family Life. Proceeds were \$5,000.