The Annual Report of the Board of Governors of University of Minnesota Hospitals and Clinics

presented by

Harry E. Atwood

Chairman of the Board of Governors

to

The Committee of the Whole

of the

Board of Regents

of the

University of Minnesota

Friday, November 10, 1978
Minneapolis, Minnesota

Vice President for Health Sciences, Lyle French, introduced Chairman Harry Atwood and Vice Chairman Al Hanser of the Board of Governors of University Hospitals and Clinics to the Board of Regents. Mr. Atwood thanked the Regents for this opportunity to appear before them and present them with the Hospitals' Annual Report. He also expressed gratitude for the dinner of the night before which allowed for the Board of Regents and the Board of Governors to gather together socially.

Mr. Atwood began his report by commenting that the Board of Governors has been in existence for four years. He noted that the University of Minnesota was one of the first institutions to create a seperate governance structure for its hospital and he commended the Regents on the foresight they displayed in developing this unique arrangement of enhanced public accountability. He added that the Regents' support of the Board of Governors and their work has greatly contributed to the success of this endeavor and its duplication throughout the country.

Mr. Atwood then explained that his comments would summarize Governors' and Hospitals' activities in relation to the 1977-1978 Fiscal Year activities and future planning. He added that general topics to be covered in his report would include patient activity, the financial report, external activities and regulations, physical facilities activity and planning, and other Board of Governors activities.

Mr. Atwood first reviewed in-patient activity statistics including admissions, patient days, length of stay, and percent occupancy over a three year period. He pointed out that a declining length of stay has been the primary factor in reducing total patient days, but added

that the average stay appears to be stabilizing at about 8.8 or 8.9 days. He suggested that the number of admissions is expected to increase moderately through 1983, but noted that current occupancy rates and census activities have led the Hospitals to decrease the number of its operating beds in July of 1978 by 42 (from 769 beds to 727 beds). In terms of out-patient activity, Mr. Atwood described clinic and emergency visits over the same three year period (1975-1978). He indicated that with the opening of Unit B/C, the rate of out-patient growth is expected to accelerate.

Mr. Atwood next referred the Board of Regents to his handout (see attached) for their examination of the financial report. He stated that the Fiscal Year 1978-1979 Budget was reviewed by the Finance and Facilities Committees, and the full Board of Governors, before it was recommended to Vice Presidents French and Brown and the Board of Regents. He noted that the $93.1 million dollar operating budget and the $3.1 million dollar capital equipment and remodeling budget required a moderate 7.06% rate increase. He also stated that Fiscal Year 1977-1978 was completed with a rate increase of only 6.3%. He pointed out that both rate increases were considerably less than the 12% and 11.5% increases experienced in 1975-1976 and 1976-1977. Mr. Atwood further made mention of the fact that in relation to national trends and cost concerns, University Hospitals has more than met the National Voluntary Cost Control Efforts sponsored by the AHA and endorsed by the Board of Governors and the Medical Staff. He stated that University Hospitals' increase in costs from 1976-1977 to 1977-1978 was in excess of the targeted 2% reduction by each hospital and the 1978-1979 increase continues to be below the national goal. Mr. Atwood then informed the Regents that the Board of Governors has developed a Cost Concerns Task Force which is in the process of addressing mechanisms to limit University Hospitals' cost increases.

In terms of external activities and regulations, Mr. Atwood stated that the University Hospitals' expanded role in these activities reflects its continuing commitment to active participation in health planning, systems co-ordination, and the development of programs to deal with increasing public concerns regarding costs and quality.

He stated that last year in his report he commented on the Board's and Hospitals' involvement in accreditation by the Joint Commission, participation in the State Rate Review, participation in HSA activities with the Metropolitan Health Board, and involvement in the Professional Standards Review Organization programs. He noted that these interactions continue while more new involvements have been activated.

Mr. Atwood first referred to MAPTH or the Minnesota Association of Public Teaching Hospitals. He stated that last year he reported that the University, Hennepin, Ramsey, and Veterans Administration Hospitals were considering the development of a joint project to study ways of achieving economies and/or improved service through closer cooperation as a consortium of public teaching hospitals. While a number of delays were encountered, these four institutions (with the VA as an associate member) did formally organize the MAPTH in July, 1978. That organization is now in the process of initiating an eighteen-month study to identify the potential areas of benefit which might be achieved as a consortium. In addition, MAPTH has provided a mechanism through which the four hospitals are jointly considering the potential impact of various planning and regulatory proposals.

Mr. Atwood next mentioned the Council of Community Hospitals. He explained that a Council of Community Hospitals, which has brought together all private community hospitals for discussions of major health systems issues, has existed for several years. He noted that while this organization initially rejected the participation of the public hospitals, this position was reversed during the past year and University Hospitals and Clinics is now a full participant. He stated that issues being addressed by the COCH include Emergency Medical Systems plans, Perinatal Systems plans, and the development of a meaningful response to the excess hospital beds in the Metropolitan area.

Mr. Atwood then referred to the West Metro Trustee Council and reported that primarily in response to the Citizens League Report, both the East and West Metro Hospitals formed Trustee Councils. These Councils, he explained, are relatively new and have focused

their energies on the issues of bed reduction, service distribution, and cost containment. He stated that he represented University Hospitals and Clinics on the West Metro Trustee Council and added that he anticipates that recommendations and commitments will be forthcoming from that Council over the next several months.

At this point, Mr. Atwood set aside his formal presentation and made a personal comment regarding the Board of Governors, Medical Staff, Administrative and Hospital Staffs ongoing commitment to health care. He stated that despite the large size of University Hospitals, its orientation to tertiary care, and its commitment to teaching and research, all elements of the Hospitals continually demonstrate an exceptional level of commitment to the needs of the state and to the individual. The commitment to the state, he noted, is illustrated by a broad range of medical staff and hospital oriented programs in outreach and primary care. Such efforts include the Northwest Hennepin County Project, Rural Cooperative Program, Home Health Care Program, Community Service Program, Community University Health Care Center, and the Child Bearing/Child Rearing (Nurse Midwife) programs. He stated that commitment to personal care is well illustrated by the numerous comments which are received from patients and their families. Here, Mr. Atwood read a portion of a letter received from a former patient. He then went on to say that commitment is further illustrated by University Hospitals and Clinics pioneering programs in Patient Rights and Patient Advocacy. He noted that the program received national recognition recently when Ms. Countryman, Director of Patient Relations, and Mr. Dickler, Senior Associate Director of the Hospitals, were invited to discuss University Hospitals programs at the American Hospital Association Convention.

Mr. Atwood then resumed his report and focused his comments on the subject of University Hospitals' physical facilities. He stated that the handout which the Regents received was intended to briefly outline the background and plans which the Hospitals are pursuing to renovate current facilities. He noted that after considerable discussion by the Board of Governors - in consultation with Central University and a Health Sciences representative - the Board is now

convinced that the program which the Regents have heard discussed in general terms previously, is the most logical and appropriate capital program for the University and Hospitals to pursue. He explained that three major components of that program are:

1) Replacement of Ambulatory Care Facilities
2) Replacement of Pediatric Inpatient Facilities and Remodeling/Replacement of OR, PAR, and ICU in Unit K/E/H.
3) Replacement, renovation, and expansion of Adult Inpatient Support space - Unit J.

In terms of the status of each of these components, Mr. Atwood reported that for Ambulatory Care Facilities, Unit B/C should be open in February, 1979. With Pediatric Inpatient Facilities, he mentioned that through the State Designer Selection Committee, an architect (Ellerbe) has been hired to develop schematics for Unit K/E/H. These should be completed in early, 1979, at which time the Board of Governors will be reviewing the results and seeking approval for construction. In terms of the Adult Inpatient and Support Space (Unit J), Mr. Atwood stated that this project is entering its final internal review phase and should be ready for initial presentation to the Board of Regents and architect selection in Spring, 1979. Part of the internal review is a careful examination and analysis of possible financing mechanisms identified through an Ernst and Ernst study. Mr. Atwood also noted that in addition to these major components, the ongoing remodeling and purchase of equipment continues so that the aggregate facilities will be functionally viable with the completion of Unit J. He stated that in addition, the construction of replacement hospital facilities will permit completion of the reallocation to, and accommodation of, overall Health Sciences space needs in accord with the Master Plan. Finally, he mentioned that work with Dr. French and Mr. Brown continues on the need for a Motel/Hotel Facility.

In concluding his report, Mr. Atwood commented that from his presentation, it can be seen that the Board of Governors has been extremely active over the past year. He stated that an additional

part of that activity was a retreat in July, 1977. At that time the Governors focused upon the current Mission Statement of the Hospitals and the development of a process for Strategic Planning. He noted that it is the Boards' belief that the retreat was very successful and one of the outcomes - a revised Mission Statement - will be forwarded to the Regents next month for review and approval. He added that the Governors are now developing and reviewing a five-year Strategic Plan for the Hospitals. Also, he mentioned that some recommendations for technical amendments to the Board of Governors bylaws will be forwarded to the Regents shortly. Mr. Atwood then noted Regent Goldfine's participation in the retreat as being invaluable and appreciated by the Board of Governors.

Mr. Atwood stated that he would like again to note that the Board of Governors of University Hospitals and Clinics, which the Regents created, continues to receive national recognition. Examples of this during the past year included a request for assistance from University of Washington Hospitals Board of Governors, the designation of University Hospitals Board Chairman as a representative to the AHA National Trustee Council, and a focused discussion on Governance at an invitational meeting in Pauma Valley.

Finally, Mr. Atwood pointed out that this is his last term as Chairman of the Board of Governors and added that he would like to thank the Board of Regents for this opportunity. He stated his appreciation for their confidence and noted that he enjoyed and benefited from the past four years. Mr. Atwood concluded that it is his personal belief that the Board of Governors has matured rapidly over the past four years and will continue to play a vital governance role in the future. Other individuals whom Mr. Atwood mentioned in noting his appreciation for their assistance included Vice President for Health Sciences, Lyle French; Vice Chairman of the Board of Governors, Al Hanser; John Westerman, General Director of University Hospitals and Clinics; and Johnelle Foley, Executive Assistant to the Board of Governors.

Mr. Atwood and Mr. Hanser then responded to questions and comments from the Board of Regents. These are summarized as follows:

1. Regent Lebedoff - thanked Mr. Atwood for his report and commended the work of the Board of Governors in the area of strategic planning.

2. Regent Schertler - also thanked Mr. Atwood for his presentation of the Board of Governors' annual report and for his service to the Board and University Hospitals and Clinics.

3. Regent McGuiggan - commented on the excellent attendance record of the Board of Governors. He also questioned the profitability of the Hospitals' motel business. (It was noted that the Powell Hall motel is a breakeven endeavor; that many potential guests are turned away; and that the replacement of Powell Hall to accommodate patient and visitor needs is a high priority item.)

4. Regent Goldfine - expressed appreciation for the work of the Board of Governors. He also inquired about the motel utilization. (Mr. Hanser pointed out that University Hospitals is a state resource serving patients from throughout the Midwest. Frequently these patients or their families need moderate cost housing during their visit to University Hospitals.)

5. Regent Krenik - thanked Mr. Atwood for his interesting presentation. He asked why patient days at University Hospitals showed such a decline in 1974. (Mr. Atwood explained that the initial implementation of such programs as utilization review and professional standards review may have impacted on the length of stays of patients at that time.)

BACKGROUND MATERIAL

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS

BOARD OF GOVERNORS ANNUAL REPORT

TO

UNIVERSITY OF MINNESOTA BOARD OF REGENTS

Presented by
Mr. Harry Atwood, Chairman
Board of Governors
November 10, 1978

Background Material

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Item 1 - Patient Care Data

This table summarizes admissions, patient days, length of stay, and average daily census from 1967-68 through 1977-78. While admissions were fairly stable between 1976/77 and 1977/78, a continuing decrease in average length of stay led to a moderate decline in patient days and average daily census. Data from late 1977/78 and early 1978/79 indicates that average length of stay has stabilized at around 8.8 - 8.9 days and that admissions are increasing slightly.

Item 2 - Comparative Summary Statement of Operations

This table summarizes Hospital Budgets, rate increases, and average costs from 1975/76 through 1978/79. The budget for 1978/79 continues to reflect a trend of lower rate increases than those experienced in 1975/76 and 1976/77.

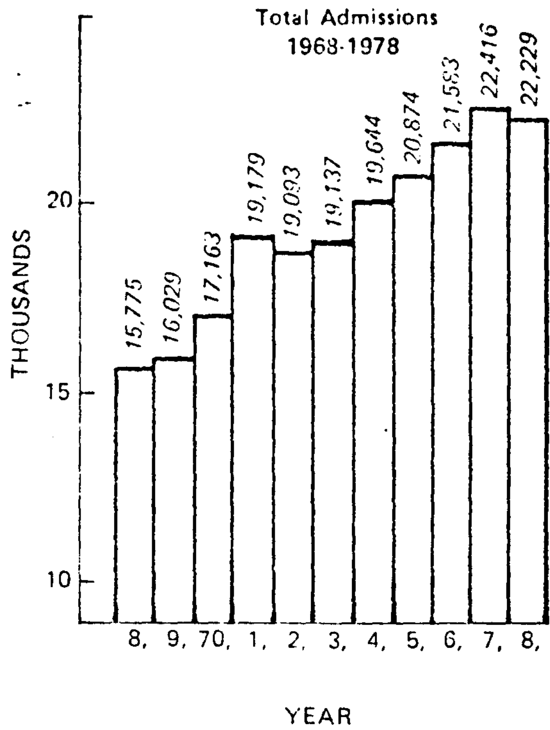
Item 3 - Capital Facilities Planning Summary

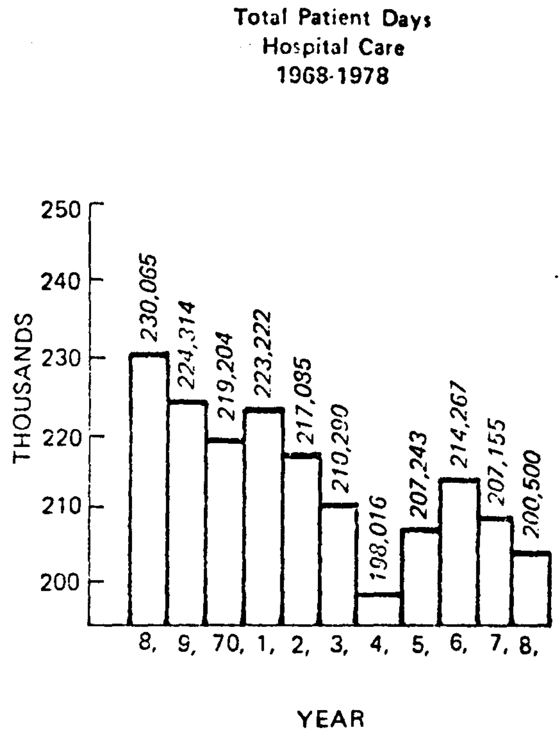
This document summarizes that status of University Hospitals and Clinics Central Planning and is intended to update the information provided to the Board of Regents in Spring, 1978.

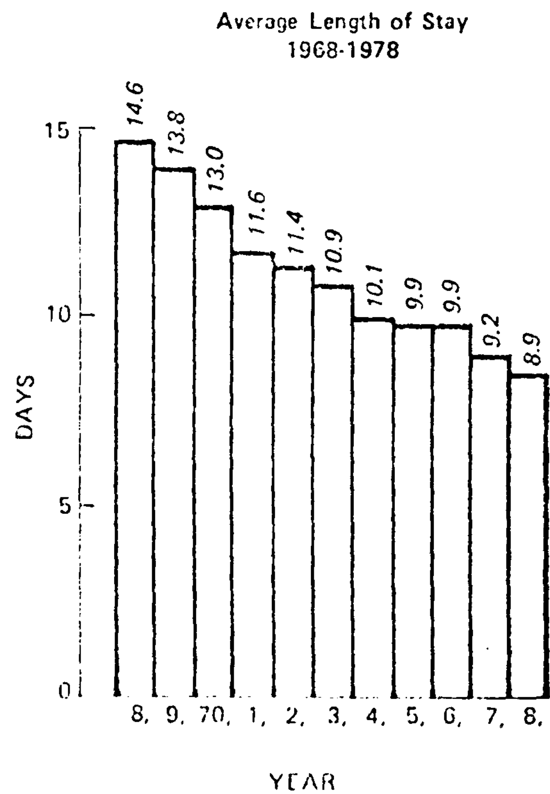
Note: all of the above information will be discussed in greater detail by Mr. Atwood during his verbal presentation.

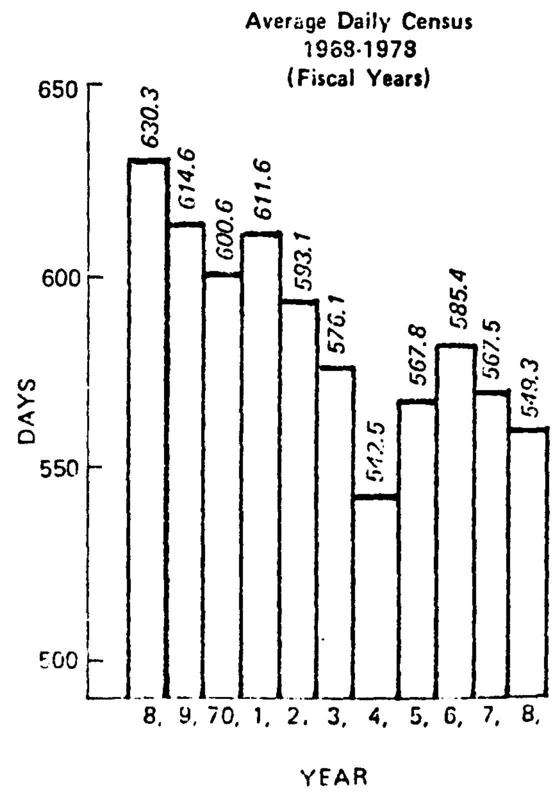
PATIENT CARE DATA

1968-69 to 1977-78









UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
COMPARATIVE SUMMARY STATEMENT OF OPERATIONS

	1975-1976 Actual		1976-1977 Actual		1977-1978 Actual		1978-1979 Projected	
	Amount	% of Totals	Amount	% of Totals	Amount	% of Totals	Amount	% of Totals
Net Patient Care Revenue	$58,430,354	86.4%	$65,096,181	86.3%	$72,783,484	86.4%	$80,839,282	87.7%
Other Operating Revenue	1,199,015	1.8%	1,263,390	1.7%	1,636,519	1.9%	1,678,283	1.8%
Appropriations/Interest Inc.	7,956,162	11.8%	9,050,926	12.0%	9,843,082	11.7%	9,690,767	10.5%
Total Revenue	$67,585,531	100.0%	$75,410,497	100.0%	$84,263,085	100.0%	$92,208,332	100.0%
Expenditures								
Salaries,Wages,Fees,Fringe Benefits	$43,629,889	65.5%	$48,460,498	64.1%	$54,693,854	65.6%	$59,476,298	63.9%
Other Expenses	22,948,981	34.5%	27,144,944	35.9%	28,632,609	34.4%	33,619,549	36.1%
Total Expenditures	$66,578,870	100.0%	$75,605,442	100.0%	$83,326,463	100.0%	$93,095,847	100.0%
Net Revenue Over/(Under) Expense	$ 1,006,661		$ (194,945)		$ 936,622		$ (887,515)	
Rate Increase per Year	12.0%		11.43%		6.3%		7.06%	
Volume Related Increase per Year	8.2%		.15%		5.44%		4.01%	
Avg Cost per Admission	$2,730		$2,902		$3,207		$3,525	
Avg Cost per Inpatient Day	$275		$314		$356		$394	
Avg Cost per Outpatient Day	$42		$54		$57		$68	

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS

CAPITAL FACILITIES PLANNING SUMMARY

Introduction

This document is intended to provide a brief overview of the present facilities utilized by University Hospitals and Clinics, the deficiencies which exist within these facilities, and proposed solutions which have been, or are being, investigated. Some of this material has been presented previously to the Board of Regents and more detailed information about specific aspects will be presented in early 1979 to the Board.

Background

University of Minnesota Hospitals and Clinics presently utilizes all or part of seven buildings on the East Bank of the University Campus. Most of the Mayo Complex, which houses the majority of inpatient beds and diagnostic, treatment, and support facilities, was constructed prior to 1930. The last major Mayo Complex addition was completed in the mid-1950's.

All other facilities utilized by the Hospitals, with the exception of Powell Hall, were built after 1950 and generally remain functional at an acceptable level. Powell Hall was completed in the 1930's and early 1940's and is used primarily for office space and motel facilities.

Physical Facility Deficiencies

The physical facility deficiencies which University Hospitals and Clinics faces today are a reflection of the age of its present facilities and the status of health care when the facilities were built. Most of the facilities built since 1950 were designed during a period of expansion in health care technology and when University Hospitals role was changing to a regional specialty referral care hospital. These facilities (Variety Club Health Hospital, Masonic Memorial Hospital, Children's Rehabilitation Center, and the Dwan Cardiovascular Center) continue to be functionally adequate, especially with ongoing major and minor remodeling.

The Mayo Complex has a variety of problems which reflect both its physical age and the design limitations which are inherent in buildings constructed during the first half of the 1900's. These buildings (Elliott, Todd, Eustis, and Mayo Memorial) have been strained by the present role of University Hospitals and the current state of medical technology in terms of space, configuration, and building systems to their absolute limits.

The general building defiencies which are faced in the Mayo Complex include:

I. Transportation and Circulation - inefficient traffic patterns; congestion, noise, and unnecessary traffic; corridors too narrow; and too few elevators.

II. Storage and Space Deficiencies - results in use of corridors for storage; poor asceptic technique and practice; overload of work areas.

III. Nursing Stations - inadequate room size and toilets, lack of appropriate or adequately sized support facilities (i.e. waiting areas, private consultation rooms, treatment areas, etc.).

IV. Ambulatory Care - inadequate space (size of rooms, support facilities, and waiting rooms) and inefficient operations due to fragmentation of clinic areas and ancillary support services.

V. Support Departments - inadequate and inappropriate space for almost all departments, but especially Diagnostic Raiology, Theraputic Radiology, Clinical Laboratories, Pharmacy, etc.

Planning Process and Conclusions

The Planning Process for upgrading University of Minnesota Hospitals and Clinics physical facilities began in the mid-1960's and has continued up to the present time. Planning efforts have utilized both internal resources and outside consultants. In addition, all planning efforts have been an intregal part of the Health Sciences Master Planning process and conclusions reached have reflected a synergistic planning and functional relationship with other Health Services units.

The options explored since the mid-1960's have explored the full range of possibilities from total replacement of all facilities to limiting efforts to remodeling only. Total replacement was rejected as both too costly and inappropriate abandonment of functional facilities. Remodeling only was rejected since it does not deal with the overall space deficiencies which total approximately 400,000 square feet for inpatient and support services.

The planning process has led to the ultimate conclusions that:

1. University Hospitals and Clinics should retain and remodel present space where possible.

2. New construction should be utilized where no cost-effective or acceptable alternatives exist.

3. Any space to be vacated by the Hospitals on a permanent basis should be utilized to meet the overall space needs identified by the Health Sciences Master Planning process.

Solutions

The solutions which have been and are being pursued to correct major deficiencies as a result of this planning process are:

1. Unit B/C Project
   a. Project Scope
      1) Relocate majority of clinic areas to new facility.
      2) Develop appropriate ambulatory care support services in Unit B/C to both adequately serve ambulatory patients and provide minimal relief for existing departmental space.

3) Utilize vacated space and some Unit B/C shell space to provide interim and permanent relief for some ancillary support services and Hospital Departments as well as space for other Health Sciences Units.

b. Present Status

Hospital portions of Unit B/C (Phase I) should be occupied by early 1979, vacated space remodeled and reoccupied over a two-year period.

2. Unit K/E/H Project

a. Project Scope

1) Four floor addition to Unit K/E to house approximately ninety beds of one-hundred and twenty total pediatric beds. Remaining beds will stay in Heart Hospital.

New Post-anesthesia and Surgical Intensive Care units will be developed in this space to replace obsolete and space deficient units.

2) Remodel existing and add on additional operating rooms and support space (Unit H).

3) Remodel vacated areas for support areas (nursing, cafeteria, etc.).

b. Present Status

Architect selected (Ellerbe) through State Designer Selection Board. Schematics and final review process planned for early 1979. Construction completion planned for 1982.

3. Unit J Project

a. Project Scope

1) Replace approximately 400 medical-surgical beds in Mayo Complex on Powell Hall site.

2) Relocate Diagnostic Radiology and Therapeutic Radiology to Unit J.

3) Utilize vacated Mayo space for Hospital support departments, laboratories, personnel, payroll, etc. and other Health Sciences units.

b. Present Status

Debt capacity study and other preliminary planning being completed. Initial presentation to Board of Regents, with request for approval to proceed with architect selection, planned for July, 1979. Earliest completion date January, 1987.

4. The above three projects constitute the bulk of the Capital Replacement and Renovation Program. The development of a Motel/Hotel facility is required to replace Powell Hall facilities and is being pursued with Central Administration. Equipment replacement and smaller remodeling/construction projects will continue on an ongoing basis.

Conclusion

This document has provided a brief outline of University Hospitals and Clinics Central Planning. We look forward to discussing it in more detail over the coming months with the Board of Regents.

JACKSON
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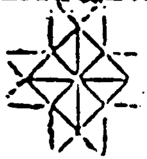

UNIVERSITY OF MINNESOTA
HEALTH SCIENCES EXPANSION

THE ARCHITECTS COLLABORATIVE INC CAMBRIDGE MASS &
THE HEALTH SCIENCES ARCHITECTS & ENGINEERS INC

75032

12 Oct. 1976

Master Plan for
Unit K Feasibility

HARRETTE 1083