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Please bring the Operating Budget packet mailed with the April Board packet to the May 28, 1986 meeting. Thank you.

**The University of Minnesota Hospital and Clinic
Board of Governors**

May 28, 1986
1:30 P.M.
8-106 Unit J

AGENDA

- | | | |
|------|---|-------------|
| I. | <u>Approval of April 23, 1986 Minutes</u> | Approval |
| II. | <u>Chairman's Report</u>
- Ms. Barbara O'Grady | Information |
| III. | <u>Hospital Director's Report</u>
- Mr. C. Edward Schwartz | Information |
| IV. | <u>Committee Reports</u> | |
| | A. <u>Planning and Development Committee Report</u>
- Mr. Robert Latz | |
| | 1. Quarterly Purchasing Report | Approval |
| | B. <u>Joint Conference Committee</u>
- Ms. Phyllis Ellis | |
| | Joint Conference Committee did
not meet in May. | |
| | C. <u>Finance Committee Report</u>
- Mr. Robert Nickoloff | |
| | 1. Report of Operations for the Period
July 1, 1985 through April 30, 1986 | Information |

2. Budget

1986-87 Operating Budget

Endorsement

1986-87 Compensation Plan

Approval

1986-87 Capital Budget

Endorsement

3. Refinancing Update

Information

D. Bylaws Committee Report
- Mr. George Heenan

Discussion

V. Other

VI. Adjournment

MINUTES

Board of Governors

The University of Minnesota Hospital and Clinic

April 26, 1986

CALL TO ORDER:

Chairman Barbara O'Grady called the April 23, 1986 meeting of the Board of Governors to order at 1:40 P.M. in Room 555 Diehl Hall.

ATTENDANCE:

Present: Leonard Bienias
David M. Brown, M.D.
Shelley Chou, M.D.
Phyllis Ellis
George Heenan
Kris Johnson
Robert Latz
James Moller, M.D.
Robert Nickoloff
Barbara O'Grady
Nancy Raymond
C. Edward Schwartz
Neal A. Vanselow

Absent: Al Hanser
David Lilly
Jerry Meilahn

APPROVAL OF THE MINUTES:

The Board of Governors seconded and passed a motion to approve the minutes of the March 26, 1986 meeting of the Board of Governors as written.

CHAIRMAN'S REPORT:

Chairman Barbara O'Grady introduced Dean David M. Brown, M.D. and welcomed him as a new member of the Board of Governors. On April 11, 1986 the Board of Regents had approved the addition of this ex officio, non-voting position to the Board of Governors to be held by the Dean of the Twin Cities Medical School.

On April 11th, Chairman O'Grady reported, the Regents also approved the Mission Statement as endorsed by the Board of Governors. The approval of that Mission Statement finalizes the new name of the organization: The University of Minnesota Hospital and Clinic.

Mrs. O'Grady distributed the Board of Governors 1986 Work Plan. She asked that committee chairs begin incorporating the items listed on the work plan into monthly committee agendas.

Lastly, Mrs. O'Grady reminded the Board members of the May 6, 1986 Trustees Conference entitled "Entrusting Tomorrow's Hospital to Today's Trustee."

DIRECTOR'S REPORT:

Mr. C. Edward Schwartz announced that Mr. R. Edward Howell had accepted the position of Executive Director of the Medical College of Georgia in Augusta. Following a review of Mr. Howell's accomplishments while at The University of Minnesota Hospital and Clinic, Mr. Schwartz and Mrs. O'Grady presented Mr. Howell with a commemorative plaque from the Board of Governors.

Mr. Schwartz reported that the move schedule had been pushed back seven days due to the failure of the emergency generator. The generator problem had been corrected and patients will be moved into the new building on April 25 and 26, 1986. A newspaper insert featuring the University Hospital was included in the Minneapolis Star and Tribune and the St. Paul Pioneer Press on April 20, 1986 and has been sent to thousands of former hospital patients.

Mr. Schwartz also reported that the Minnesota state senators have again been contacted regarding the Medicare capital reimbursement proposals. In addition to discussing the specifics of the respective proposals, Board and Hospital representatives took the opportunity to emphasize the necessity of replacing our current facility with the new Unit J.

On the topic of Medical Staff recruitment, Mr. Schwartz noted that the search for the Chairman in the Department of Neurology continues to progress well. Dr. Carl White, who is currently an adult cardiologist at the University of Iowa Hospital, has recently accepted the position of Director of the Heart Catheterization Laboratory. Dr. White is expected to arrive at The University of Minnesota Hospital and Clinic in July.

Lastly, Mr. Schwartz reported that we continue to work with Vice President David Lilly's office in assessing the marketplace with an eye toward refinancing the Unit J bonds.

PLANNING AND DEVELOPMENT COMMITTEE REPORT:

Mr. Cliff Fearing reviewed progress to date on the new parking ramp and the tunnel connecting the ramp to the new hospital. The ramp is now under construction and the design work on the tunnel is now complete. Following a review of the tunnel design features, Mr. Fearing asked that the Board approve

the bidding and construction of the link, including the related elevator and walkway which connects Unit J and Masonic Hospitals to the parking facility. The estimated construction cost of the link is \$1.5 million. The link is expected to take 6 months to construct, beginning June 1, 1986. The Board seconded and passed a motion to proceed with bidding and construction of the link as described.

JOINT CONFERENCE COMMITTEE REPORT:

Committee Chairman Phyllis Ellis reported on the proceedings of the March, 1986 Medical Staff-Hospital Council meeting. At that time, the Council had approved the nominations for the upcoming Medical Staff elections and the appointments of several medical directors related to the Dialysis programs.

Secondly, Ms. Barbara Tebbitt presented recommended policy revisions for the End Stage Renal Disease Program (ESRD). She noted that the ESRD Program requires that all new and revised policies be approved each year by the governing body of the Hospital.

Policy changes this year relate to the creation of the pediatric dialysis unit and to the increased centralization of nursing education. Two new policies were added on mobile pediatric dialysis and an AIDS protocol for the Dialysis unit.

The Board of Governors seconded and passed a motion to approve the ESRD policies as submitted.

FINANCE COMMITTEE REPORT:

Mr. Cliff Fearing summarized the first nine months of activity this fiscal year. Admissions are running 2.9% below budget, the average length of stay 3.7% above budget, and the number of patient days, 1.4% below budget. The average daily census for 1985-1986 had been projected at 398.7 patients. During this first nine months of the fiscal year the average daily census has been 391.1, 1.4% below the budgeted level.

The clinic visits for the month of March were 7% above budget. The March year-to-date clinic census total 163,361, 5.4% above budget.

The Hospital Statement of Operations shows a total revenue over expenses of \$13,712,633, a favorable variance of \$7,179,591.

Secondly, Mr. Fearing recommended that the Board approve a bad debt write-off for the third quarter of \$479,135.89. Total bad debts for the first three quarters of the fiscal year represent 1.1% of gross charges. This compares to a budgeted level of bad debts of \$1.33% of gross charges. The Board of Governors seconded and passed a motion approving the bad debt write-off for the third quarter of the 1985-1986 fiscal year in the amount of \$479,135.89.

Mr. Cliff Fearing overviewed the Operating Budget for the 1986-87 fiscal year. Major components of that budget include a 2.9% price increase, projected gross patient care charges of \$199,263,700 and projected operating costs of \$208,619,000. Mr. Fearing noted that about \$20 million of the \$28 million increase in operating costs are associated with Unit J and items related to Unit J. With the inclusion of non-operating revenues, a break even bottom line is projected.

There were two questions raised by members of the Board. The first related to the budgeted increase in the number of full time equivalents. The second related to the adequacy of a 2.9% price increase.

The Finance Committee and the Board of Governors are scheduled to endorse the Operating Budget on May 28, 1986.

In the interim, the Board seconded and passed a motion to notify the Health Information Resources Program of an intended 2.9% increase.

Mr. Greg Hart reviewed the proposed Capital Budget for 1986-87. His summary included three categories of items: recurring capital items funded from current year capital, major capital expenditures funded from prior year reserves, and other major projects funded by borrowing. The recurring capital item category included about \$4,000,000 in requests. The major capital expenditures included \$2.6 million in requests. The other major project category includes the parking ramp, the parking tunnel, Psychiatry renovation, cystoscopy renovation and other general Mayo renovation. Requests in this category total \$11.8 million.

The Capital Budget is also scheduled for Board endorsement on May 28, 1986.

ADJOURNMENT:

There being no further business, the April 23, 1986 meeting of the Board of Governors was adjourned at 3:40 P.M.

Respectfully submitted,



Nancy C. Janda
Assistant Hospital Director and
Secretary to the Board of Governors

Minutes
Planning and Development Committee
May 14, 1986

CALL TO ORDER

Ms. B. Kristine Johnson, in the absence of Committee Chairman, Mr. Robert Latz, called the May 14, 1986 Planning and Development Committee meeting to order at 10:20 a.m. in room 8-106 of University Hospital.

Attendance: Present B. Kristine Johnson, Acting Chair
 Leonard Bienias
 Frank Cerra, M.D.
 Clint Hewitt
 Geoff Kaufmann
 John LaBree, M.D.
 C. Edward Schwartz

Absent Robert Latz
 I. Dodd Wilson, M.D.

Staff Greg Hart
 Nancy Janda
 Lisa McDonald
 Ron Werft

Guest David Coombes

APPROVAL OF MINUTES

The minutes of the April 9, 1986 meeting were approved as mailed.

VARIETY CLUB

Mr. Werft stated that the Planning and Development Committee will be receiving a quarterly update from the Variety Club Advisory Committee. At their last meeting Mr. Werft stated that the Variety Club had requested more assistance in fund raising, communication, public relations and marketing, which they will receive. A slide presentation of Variety Club Children's Hospital's presence in the University Hospital was shown and was well received. The Variety Club was also receptive to Dean Brown's suggestion that medical staff associated with Variety Club give presentations on their projects.

Mr. Kaufmann elaborated on the internal and external assessment of children's services that will occur this summer to aid Planning and Marketing in proposing a plan to promote children's services and Variety Club Children's Hospital.

UMCA UPDATE

Mr. Coombes commented on UMCA's progress to date. In the last seven months UMCA has concentrated on negotiating with PHP, Share, Group Health, and PCN in concert with the hospital. He concluded that agreements should be signed within the next forty-five days with PHP, Share, and Group Health.

Mr. Coombes discussed the department's support of UMCA's Planning and Marketing committee as well as their success in getting the beeper program operational in two weeks.

UMCA has representatives on PCN's management company board. Dr. LaBree mentioned that PCN has been appealing to outstate physicians in spite of their reluctance to participate in HMO's. Mr. Coombes stated that a provider service agreement is being reviewed and should be signed in the next month. Mr. Schwartz added that the hospital is also reviewing the PCN agreement.

Mr. Coombes inquired if the hospital and clinics can support increased volume resulting from contracts and marketing efforts. Mr. Schwartz responded that the issue is being addressed.

MARKETING PLAN

Mr. Kaufmann reviewed Planning and Marketing's 1986/87 strategies. He stressed that equal emphasis will be placed on referring physicians and consumers. Examples were given of programs aimed at target markets who, in rank order, are: 1) referring physicians, 2) major brokers of patients i.e., HMO's and their physicians, 3) former patients, 4) University/UMHC staff, 5) potential referring physicians, 6) potential patient, public at large, and 6) international patients. He also reported that marketing is working on a central positioning to highlight the following services: 1) Comprehensive Cancer Center, 2) Heart/Lung Institute, 3) UMHC Clinics, 4) Children's Services/Variety Club Children's Hospital, and 5) Women's Center. Additional services will be marketed to physicians (Physician Hotline, UMCSIC/Life Link III, Lab Outreach, and Radiology services.).

Ms. Johnson commented that it's important to start laying the groundwork for major employers. She also suggested that we review the attributes that consumers look for in selecting a hospital and discuss UMHC's positioning at the next Planning and Development meeting. Dr. LaBree cited some of the positive comments that he has heard from referring physicians in the last year.

The Committed endorsed Planning and Marketing's 1986/87 strategies.

QUARTERLY PURCHASING REPORT

Mr. Hart reported that purchase orders of \$11.4MM are \$2-3MM higher than normal for third quarter due to the move to Unit J. Mr. Schwartz noted that activity from the University Hospital Consortium appeared for the first time and that more would be showing up given the potential for savings.

Mr. Hewitt discussed the savings last year from not going with the lowest bidder which he concluded were not significant. Mr. Hart noted that the low bidder is listed even if they don't meet specifications. Ms. Johnson recommended that the low bid estimates in the future be divided into two groups, those that meet specifications and those that don't. The third quarter purchasing report was approved by the committee.

ADJOURNMENT

The Planning and Development Committee adjourned at 11:45 a.m.

Respectfully submitted,

Lisa Gaines McDonald

Lisa Gaines McDonald
Assistant Director of Planning and Marketing



UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospitals and Clinics
420 Delaware Street S.E.
Minneapolis, Minnesota 55455

May 20, 1986

TO: Members of the Board of Governors

FROM: Greg Hart

SUBJECT: Quarterly Purchasing Report

Attached is the quarterly purchasing report for the period of February-April, 1986. The attachments include details on set aside awards, non-low bidder purchases, sole source purchases, and vendor appeals, as per prior reports. An additional attachment has been added detailing University Hospital Consortium purchases.

I will be happy to answer any questions the Board may have at your meeting next week.

GH/kf

Attachments

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
ADMINISTRATIVE REPORT ON PURCHASING ACTIVITY

PERIOD FEBRUARY - APRIL 1986

I. PURCHASE ORDER ANALYSIS

<u>Range</u>	<u>Number of P.O.'s</u>	<u>Total Dollar Value</u>
\$0 - \$499	5,497	\$ 832,925.19
\$500 - \$1,999	1,796	\$ 1,843,385.65
\$2,000 - \$4,999	487	\$ 1,513,620.12
\$5,000 - \$9,999	200	\$ 1,383,527.87
\$10,000 - OVER	189	\$ 5,537,547.67
TOTAL PURCHASE ORDER	8,169	\$ 11,111,006.50

II. CONFIRMING ORDERS

<u>Range</u>	<u>Number of P.O.'s</u>	<u>Total Dollar Value</u>
\$0 - \$99	161	\$ 8,847.24
\$100 - \$499	237	\$ 61,997.17
\$500 - \$999	84	\$ 61,376.49
\$1,000 - \$1,999	37	\$ 53,552.82
\$2,000 - OVER	31	\$ 177,019.58
TOTAL CONFIRMING ORDERS	550	\$ 362,793.30
TOTAL	8,719	\$ 11,473,799.80

III. SET ASIDE AWARDS

(Attachment C)

IV. PURCHASE AWARDS TO OTHER THAN APPARENT LOW BIDDER

(Attachment A)

V. SOLE SOURCE

(Attachment B)

VI. VENDOR APPEALS

(Attachment D)

VII. UNIVERSITY HOSPITAL CONSORTIUM ACTIVITY

(Attachment E)

ATTACHMENT A

IV. Purchase Award to Other Than Low Bidder, \$5,000.00 or More

<u>P.O. Number</u>	<u>Vendor/Item</u>	<u>Total Dollar Value</u>	<u>Dollar Value Low Bidder</u>	<u>Department</u>
1. 86-341 Line #5.	3M/X-Ray Drape	\$ 5,760.00	\$ 4,680.00	Materials
	Reason: Adhesive was not in appropriate locations. Difficult to utilize without risk of wound contamination.			
	American Hospital Supply /X-Ray Drape	\$ 5,760.00	\$ 5,659.20	Materials
	Reason: Drape not long enough to allow full swing of "C-Arm" and to accommodate currently used cassettes.			
	Xomed/X-Ray Drape	\$ 5,760.00	\$ 5,515.20	Materials
	Reason: Easily contaminated due to increased manipulation, difficult to apply and incomplete instructions.			
2. 86-347 Lines #1-4.	American Hospital Supply /Corrugated Tubing	\$ 11,668.60	\$ 9,924.30	Materials
	Reason: The tubing adheres to plastic connectors when heated.			
3. H049817 Line #2.	Immuno Nuclear /Cortisol Ria Kits	\$ 6,264.00	\$ 2,160.00	Labs
	Reason: Due to an ongoing research project, the Lab is unable to evaluate or switch products at this time. However, at the conclusion of the study, they are interested in evaluating this kit further.			
	Cambridge Medical /Cortisol Ria Kits	\$ 6,264.00	\$ 3,024.00 \$ 4,176.00	Labs
	Reason: Both products bid are deficient because urine specimens can not be assayed without extraction.			

<u>P.O. Number</u>	<u>Vendor/Item</u>	<u>Total Dollar Value</u>	<u>Dollar Value Low Bidder</u>	<u>Department</u>
H 049817 Line #2. (continued)	Kallestad Labs /Cortisol Ria Kits	\$ 6,264.00	\$ 2,880.00	Labs
	Reason: Urine specimens cannot be assayed without extraction.			
	Micromedic Systems /Cortisol Ria Kits	\$ 6,264.00	\$ 2,520.00	Labs
	Reason: Urine Specimens cannot be assayed without extraction.			
4. H049815	Bio Rad Labs /Cortisol Ria Kits	\$ 6,264.00	\$ 2,880.00	Labs
	Reason: Urine specimens cannot be assayed without extraction.			
	Cambridge Medical /Prolactin Kits	\$ 5,460.00	\$ 3,510.00	Labs
	Reason: Poor sensitivity of the standard curve, maximum binding of the zero standard was unacceptably low (26%) and specimen correlations were unacceptable.			
5. 85-805	Immuno Nuclear /Prolactin Kits	\$ 5,460.00	\$ 4,680.00	Labs
	Reason: Radioactive counts are too low, which would require additional counting time, thus delaying test results. Specimen correlations were unacceptable.			
	Pilgrim Cleaners /Drapery Cleaning	\$ 10,400.00	\$ 8,000.00	Environmental Services
	Reason: Plant does not have the capability to air-dry draperies as required in Specification B.2.			

<u>P.O. Number</u>	<u>Vendor/Item</u>	<u>Total Dollar Value</u>	<u>Dollar Value Low Bidder</u>	<u>Department</u>
6. 86-449 Line #6.	Chaston/Swab Sticks	\$ 16,590.00	\$ 16,411.50	Materials
	Reason: Packaging is very difficult to open. Excessive amount of providone iodine on the sticks. Packaging contained too many issue units to be stocked well on the nursing units.			
	Colonial/Swab Sticks	\$ 16,590.00	\$ 16,275.00	Materials
	Reason: Samples for evaluation were not received within the specified time frame.			
7. 86-000029 Line #5.	Medix/Swabs and Preps.	\$ 12,729.60	\$ 9,400.32	Materials
	Reason: Packaging is extremely difficult to open and the brush is smaller and more difficult to hold.			
	C.F. Anderson /Swabs and Preps	\$ 12,729.60	\$ 11,515.00	Materials
	Reason: The nail cleaner is packaged loose and will fall or "jump" from package upon opening. The sponge is too soft and is not adequately secured to the plastic frame.			
	James Phillips /Swabs and Preps	\$ 12,729.60	\$ 12,690.43 (a) \$ 9,831.17 (b)	Materials
	Reason: (a) The packaging was inadequate and difficult to open and the brush was small and difficult to grasp.			
	(b) The nail file was packaged loose, thus proving difficult to open. The bristles of the surgeon's brush are too short and soft for the purpose intended.			
8. 86-337 Line #9	American Hospital Supply /Lab supplies	\$ 9,331.20	\$ 6,480.00	Materials
	Reason: The disposable graduate bid is not high enough to prevent spillage when transporting.			

	<u>P.O. Number</u>	<u>Vendor/Item</u>	<u>Total Dollar Value</u>	<u>Dollar Value Low Bidder</u>	<u>Department</u>
9.	H 045934	Radiometer /Transcutaneous O ₂ System	\$ 15,500.00	\$ 13,500.00	Cardio-Resp. Care
		Reason: Bid does not include a recorder module, as specified. The electrode temperature accuracy does not meet specification of \pm 0.I.C. No over temperature fail safe on the electrodes.			
10.	H 045935	Narco/CSI 501 and Oximeter	\$ 27,300.00	\$ 23,400.00	Cardio-Resp. Care
		Reason: Equipment does not have adjustable oxygen saturation and pulse audible and visual alarms, no operator adjustable sensitivity, no direct recording output capability and no A/C or D/C electrical operation with self-contained battery.			
11.	86-468 Line #7.	Medline/Pads and Sponges	\$ 5,197.20	\$ 5,116.68	Materials
		Reason: Product bid has loops, contrary to specifications. Inadequate packaging. Sponges were not banded and were difficult to remove aseptically.			
12.	86-467 Line #8.	Teknamed/Pads and Sponges	\$ 5,368.00	\$ 3,216.00	Materials
		Reason: Strings are attached to the sponge, which is not acceptable.			
13.	86-447	Med. Central Supply /Silicone Drains	\$ 5,407.50	\$ 4,050.00	O.R.
		Reason: The product bid does not meet specifications for: two sets of eyes; not flat full length; and the length is unacceptable.			

	<u>P.O. Number</u>	<u>Vendor/Item</u>	<u>Total Dollar Value</u>	<u>Dollar Value Low Bidder</u>	<u>Department</u>
14.	86-450	Charm-Tex/Patient Gowns	\$ 22,641.22	\$ 21,546.00	Materials
		Reason: Product did not have 4" overlap in back.			
		Omaha Textiles/Patient Gowns	\$ 22,641.22	\$ 20,412.00	Materials
		Reason: Product was 5" shorter than specified.			
15.	86-476	Cook Inc./Heart Caths.	\$ 8,025.00	\$ 7,312.00	Labs
		Reason: Bleed-back is excessive and paper from sheath to dilator is too steep.			
16.	86-454	C.R. Bard/Transthoracic Kits	\$ 15,120.00	\$ 11,700.00	Materials
		Reason: Product does not have the capability for intracardiac sampling or injection.			
17.	86-448	Carolina/Washcloths	\$ 6,150.00	\$ 6,030.00	Materials
		Reason: Cloth was too loosely woven and unstable.			
18.	H 047469	Jordon Sci./Blood Bank Refrigerator	\$ 5,772.00	\$ 5,022.00	Labs
		Reason: Product contained non-stainless steel interior, as specified.			
		Gibbco Sci./Blood Bank Refrigerator	\$ 5,772.00	\$ 4,898.43	Labs
		Reason: Product contained non-stainless steel interior, as specified.			
		J.B. Brenng/Blood Bank Refrigerator	\$ 5,772.00	\$ 4,855.00	Labs
		Reason: Product contained non-stainless steel interior, as specified.			
		Rheem Mfg. Co. Blood Bank Refrigerator	\$ 5,772.00	\$ 4,288.68	Labs
		Reason: Product contained non-stainless steel interior, as specified.			

ATTACHMENT A

Page 6

<u>P.O. Number</u>	<u>Vendor/Item</u>	<u>Total Dollar Value</u>	<u>Dollar Value Low Bidder</u>	<u>Department</u>
H 047469 (Continued)	Rheem Mfg. Co. /Blood Bank Refrigerator	\$ 5,772.00	\$ 5,086.00	Labs
	Reason: Product contained non-stainless steel interior, as specified.			
19. H 047470	Fisher Sci. Microplate Reader	\$ 9,200.00	\$ 7,417.00	Labs
	Reason: Product did not meet the following specifications: no multiple blanking capability; filter wheel did not hold all eight filters; and no built in operating mode.			
20. 86-358 Line #3.	Critikon /Thermo Dilution Cath.	\$ 9,400.00	\$ 9,000.00	Materials
	Waters, Inc. /Thermo Dilution Cath.	\$ 9,400.00	\$ 9,000.00	Materials
	Gould Inc. /Thermo Dilution Cath.	\$ 9,400.00	\$ 8,590.00	Materials
	Abbott Critical Care /Thermo Dilution Cath.	\$ 9,400.00	\$ 8,300.00	Materials
	Reason: The above products were rejected due to incomplete range of catheter type utilized on monitoring computers.			
21. 86-358 Line #6.	Waters Inc. /Thermo Dilution Cath.	\$ 39,480.00	\$ 37,800.00	Materials
	Gould Inc. /Thermo Dilution Cath.	\$ 39,480.00	\$ 36,078.00	Materials
	Abbott Critical Care /Thermo Dilution Cath.	\$ 39,480.00	\$ 34,860.00	Materials
	Reason: The above products were rejected due to incomplete range of catheter type utilized on monitoring computers.			

ATTACHMENT A
Page 7

<u>P.O. Number</u>	<u>Vendor/Item</u>	<u>Total Dollar Value</u>	<u>Dollar Value Low Bidder</u>	<u>Department</u>
22. H 042058	Abbey Medical /Motorized Parallel Bars	\$ 7,080.27	\$ 3,994.00	Rehab.
	Reason: Product specifications and literature were not provided for review.			
23. 86-184	Gentec/Ortho Dressings	\$ 7,694.20	\$ 4,320.12	Materials
	Reason: Specification requiring that the product stretch was not met.			
24. H 046545	Amsco/Modular Carts	\$ 35,399.88	\$ 31,590.40	Nursing
	Reason: Drawer configurations and sizes did not meet specifications.			
25. H 046544	Office Controls /Forms Storage Units	\$ 10,920.00	\$ 9,225.00	Nursing
	Reason: Units bid were not enclosed and did not have protective bumpers, as specified.			
26. H 046172	ADAC/Radiology Digital Systems	\$515,000.00	\$386,000.00	Radiology
	Reason: Product did not contain laser disk and offered incompatible imaging format.			
27. H 044799	Herculift/Tow Tractor	\$ 5,249.00	\$ 5,121.00	Materials
	Reason: Tires were rubber, no parking brake and minimum ground clearance was too low.			
28. H 044779	Curtin Sci. /Microtome Cryostat	\$ 5,825.00	\$ 5,697.06	Labs
	Reason: Product did not provide feature for dual preparation of frozen sections.			
29. H 044778	Doug's T.V./Refrigerator /Freezers	\$ 11,102.00	\$ 11,076.00	Nursing
	Reason: Product was not mobile and did not provide adjustable shelves, as specified.			

ATTACHMENT A

Page 8

<u>P.O. Number</u>	<u>Vendor/Item</u>	<u>Total Dollar Value</u>	<u>Dollar Value Low Bidder</u>	<u>Department</u>
30. H 044769	Joerns/Overbed Tables	\$150,440.00	\$ 75,978.00	Nursing
	Reason: Product bid did not contain pull-out shelf and no patient storage, as specified.			
	Amedco/Overbed Tables	\$150,440.00	\$ 52,542.00	Nursing
	Reason: No pull-out shelf and no patient storage, as specified.			
	Interroyal/Overbed Tables	\$150,440.00	\$ 72,576.00	Nursing
	Reason: No pull-out shelf and no patient storage, as specified.			
31. H 44768	Amedco/Bedside Cabinets	\$ 69,911.10	\$ 47,347.20	Nursing
	Reason: Product not constructed with solid oak as specified.			
	Medline/Bedside Cabinets	\$ 69,911.10	\$ 46,237.50	Nursing
	Reason: Vendor could not supply literature or sample for evaluation.			
	Interroyal/Bedside Cabinets	\$ 69,911.10	\$ 47,265.00	Nursing
	Reason: Product not constructed with solid oak, as specified.			
32. H 44763	MPL/Image Table	\$ 7,132.00	\$ 5,696.00	Radiology
	Reason: Adjustment crank was inaccessible.			
33. H 43720	Colson/Par Stretchers	\$ 75,644.40	\$ 47,959.34	Nursing
	Reason: Product was not welded construction, as specified.			

ATTACHMENT B

V. SOLE SOURCE

<u>Vendor</u>	<u>Contract/P.O.#</u>	<u>Value</u>	<u>Department</u>	<u>Product</u>
V. Mueller	H 308451	\$ 3,748.54	O.R.	O.R. Instruments
Storz	H 308573	\$ 4,125.54	O.R.	O.R. Instruments
Zimmer	H 308738	\$ 7,484.80	O.R.	Ortho Instruments
Amsco	H 046673	\$ 9,789.16	O.R.	Table Equipment
Avery Labs	H 054250	\$ 26,995.00	O.R.	Special Patient Charge Unit
Twin City Medical	86-451	Open	O.R.	Ortho Implants
Jed. Med.	86-452	Open	O.R.	Ophthalmic Disposables
Richards	86-453	Open	O.R.	Ortho/Ent Implants
Cordis	H 307987	\$ 4,806.00	Labs	Biopsy Forceps
Cordis	H 308983	\$ 4,281.50	Labs	Coronary Catheters
Medlab	H 046221	\$ 4,375.00	Labs	Computer Software
Hewlett-Packard	H 045930	\$ 3,620.00	I.S.D.	Disc. Packs
I.B.M.	H 042053	\$ 7,837.20	CUHCC	Computer Software
Datascope	H 046224	\$ 12,710.00	Cardio-Resp.	Intra-Aortic Balloon Pump
PS. Medical	H 307823	\$ 4,047.00	O.R.	Neuro Valves
Minn. Scientific	H 306562	\$ 3,346.00	O.R.	Omni-Tract Light
Shiley, Inc.	86-301	Open	O.R.	ISU Heart Valves
Cardiac Pacemakers	86-302	Open	O.R.	CPI Pacemakers
Am. Med. Systems	86-303	Open	O.R.	Urological Implants
Zimmer	86-308	Open	O.R.	Ortho Implants
Gore & Assoc.	86-309	Open	O.R.	CU Grafts and Patches
Cordis	86-310	Open	O.R.	Neuro Implants
Telectronics	86-311	Open	O.R.	CU Implants
Depuy	86-312	Open	O.R.	Ortho Implants
Synthes	86-313	Open	O.R.	Ortho Implants
Duncan	86-314	Open	O.R.	Ortho Implants
Ortho Met	86-321	Open	O.R.	Ace-Coles Series
Am. Bentley	86-322	Open	O.R.	Heart Valves
3M Ortho	86-323	Open	O.R.	Ortho Implants
St. Jude	86-324	Open	O.R.	Heart Valves
Dacomed	86-345	Open	O.R.	Penile Implants
Scale-Tronix	H 043547	\$ 3,390.00	Nursing	Incubator Scales

<u>Vendor</u>	<u>Contract/P.O.#</u>	<u>Value</u>	<u>Department</u>	<u>Product</u>
Winthrop	H 044046	\$ 2,446.80	Radiology	Omnipaque
Parks Med.	H 044842	\$ 2,795.00	Cardio	Doppler
Am. Red Cross	H 049822	Open	Labs	Blood
Visible Computer	H 044049	\$ 3,788.00	I.S.D.	Accoustical Enclosures
C.R. Bard	H 044041	\$ 3,237.00	Materials	Emergency Carts
Matrix Inst.	H 306847	\$ 3,600.00	Radiology	Spot Cassettes
Cook Inc.	H 306764	\$ 4,650.00	Radiology	Stent Sets
Medtronics	H 047462	\$ 9,000.00	Materials	External Pacemakers
Computer Systems	H 309552	\$ 3,000.00	Computer Services	Cable
Data Spectrum	H 047464	\$ 1,595.00	Radiology	Spectrum Phantom
Radionics	H 047466	\$ 4,070.00	Cardio	Monitor System
PMT Inc.	86-493	Open	Nursing	Halo Vests
Med. Technology	86-492	Open	Nursing	Braces
Med. Designs	86-491	\$ 18,400.00	Nursing	Knee Braces
Jerome Medical	86-490	\$ 18,590.00	Nursing	Cervical Halo
Narco	H 048036	\$ 13,920.00	Cardio	Cardules
Stuart	H 310210	\$ 10,013.45	O.R.	Spinal Instruments
Stuart	H 310209	\$ 9,712.70	O.R.	Spinal Implants
Amsco	H 044776	\$ 5,134.00	Materials	Envirogard Kit
Gambro	H 044793	\$ 4,931.00	Nursing	KD Accessories
Gambro	H 043719	\$ 21,372.00	Nursing	KD Machines
Ohmeda	H 044800	\$ 5,700.00	Cardio	Adapter Kits
Narco	H 047110	\$ 9,988.00	Cardio	Slave Scopes
Addendum 10	H 047117	\$ 12,397.00	Nursing	Bulletin Boards
Mac Bick	H 047805	\$ 4,855.50	Materials	Emergency Carts
Most Metal	H 044798	\$ 6,500.00	CSP	Most Metal Miser
Ohmeda	H 046151	\$ 17,637.06	Cardio	Parts

ATTACHMENT C

III. SET ASIDE AWARDS

A. Awarded Bids

<u>Catagory</u>	<u>Vendor</u>	<u>Total Dollar Value</u>
1. Anti Embolism Stockings	Halcon	\$ 15,237.06
2. Custodial Equipment	Blind Custodial	\$ 8,321.75
3. Wheelchairs	Quality Medical	\$ 4,989.15
4. Hospital Supplies	Quality Medical	\$ 2,796.00
5. Dry Erase Markers	Art Material Inc.	\$ 11,000.00 (Estimate)
6. Dictation Equipment	Don's TV	\$ 17,797.56
7. Custom Furniture	Chartin	\$ 4,341.00
8. Ortho Goods	Quality Medical	\$ 3,621.80
9. Ortho Goods	Halcon	\$ 3,956.40
10. Cribs	Halcon	\$ 20,714.79
11. Exam Stools	Quality Medical	\$ 2,719.69
12. O.R. Stools	Quality Medical	\$ <u>576.87</u>
	TOTAL	\$ <u>96,072.07</u>

III. SET ASIDE AWARDS

B. Departmental Purchases

1. FEBRUARY 1986

<u>P.O. Number</u>	<u>Vendor</u>	<u>Total Dollar Value</u>
H 306750	Electronic Office Equipment	\$ 776.83
H 043661	Quality Medical	\$ 78.00
H 043660	Quality Medical	\$ 19.90
H 038572	Quality Medical	\$ 337.65
H 043665	Quality Medical	\$ 126.85
H 043667	Quality Medical	\$ 16.50
H 042710	Quality Medical	\$ 43.55
H 307329	Budget Paper	\$ 48.30
H 307687	Audio Visual Wholesalers	\$ 403.56
H 043672	Quality Medical	\$ 113.85
	FEBRUARY TOTAL	<u>\$ 1,964.99</u>

2. MARCH 1986

<u>P.O. Number</u>	<u>Vendor</u>	<u>Total Dollar Value</u>
H 045680	Quality Medical	\$ 550.45
H 045831	Quality Medical	\$ 43.55
H 044771	Audio Visual Wholesalers	\$ 100.00
H 045777	Quality Medical	\$ 67.45
H 308303	Allanson Business Products	\$ 173.50
H 045779	Quality Medical	\$ 117.35
H 308876	Lakes Enterprises	\$ 1,350.00
H 045783	Quality Medical	\$ 97.36
H 045786	Quality Medical	\$ 165.35
	MARCH TOTAL	<u>\$ 2,665.01</u>

III. SET ASIDE AWARDS

B. Departmental Purchases

3. APRIL 1986

<u>P.O. Number</u>	<u>Vendor</u>	<u>Total Dollar Value</u>
H 309268	Budget Paper	\$ 44.30
H 045788	Quality Medical	\$ 118.50
H 045789	Quality Medical	\$ 78.84
H 047116	Automated Office	\$ 8,762.00
H 309539	Audio Visual Wholesalers	\$ 69.95
H 045790	Quality Medical	\$ 263.65
H 309777	General Tee Pee	\$ 122.08
H 047781	Audio Visual Wholesalers	\$ 465.76
H 310258	Budget Paper	\$ 44.30
H 044771	Audio Visual Wholesalers	\$ 483.26
H 310616	Halcon	\$ 155.28
H 044787	Needles Janitor Supply	\$ 175.07
H 035794	Don's T.V.	\$ <u>5,456.91</u>
	APRIL TOTAL	\$ <u><u>16,239.90</u></u>

C. Quarterly Grand Total

AWARDED BIDS	\$ 96,072.07
FEBRUARY 1986 PURCHASES	1,964.99
MARCH 1986 PURCHASES	2,665.01
APRIL 1986 PURCHASES	<u>16,239.90</u>
GRAND TOTAL	\$ <u><u>116,941.97</u></u>

ATTACHMENT D

VI. VENDOR APPEAL

1. Vendor Name: Hewlett-Packard
Nature of Purchase: Defibrillators
Amount of Award: \$22,727.25
Reason for Appeal: The manufacturer's opinion was that Hewlett-Packard defibrillators were equal to the physio-control brand already in use. Upon thorough re-evaluation, the award was made to Hewlett-Packard.

2. Vendor Name: Info-Chem
Nature of Purchase: Sterilization Supplies
Amount of Award: Products have been respecified and rebid.
Reason for Appeal: The vendor indicated the advantages of chemical integrators over the biological indicators specified. The Hospital agreed and respecified the products and rebid.

3. Vendor Name: Pre-Pair, Inc.
Nature of Purchase: Detergent and Disinfectant
Amount of Award: Rebid
Reason for Appeal: Pre-Pair, Inc.'s Bid was rejected due to the potential loss of warranty provided by the equipment manufacturer (Amsco) should a product of another manufacturer be utilized.
Pre-Pair's opinion was that such "tyin" is prohibited under Sections of the Sherman Act.
UMHC's Legal Department supports the rejection and does not consider Amsco's warranty provision to be unreasonable.
The products are being rebid as "SOLE SOURCE" due to container size specification changes.

4. Vendor Name: Halcon
Nature of Purchase: Cribs
Amount of Award: \$ 35,000.00
Reason for Appeal: The vendor is of the opinion that his product is equal to the currently used product.
The Hospital is currently evaluating Halcon's product.

5. Vendor Name: Amsco
Nature of Purchase: Modular Carts
Amount of Award: \$ 31,883.14
Reason for Appeal: The vendor was of the opinion that his product met the Hospital's needs. UMHC outlined drawer space limitations and the vendor appeal was withdrawn.

6. Vendor Name: Allied Healthcare Products
Nature of Purchase: Suction Regulators
Amount of Award: \$ 77,754.00
Reason for Appeal: The vendor was of the opinion that his product met the Hospital's needs. Upon further evaluation, the vendor was shown that his product would not fit in the new I.C.U. areas and he withdrew his appeal.

ATTACHMENT E

VII. UNIVERSITY HOSPITAL CONSORTIUM ACTIVITY

- | | |
|------------------------------|--------------------|
| 1. Nature of Purchase: | Defibrillators |
| Consortium Vendor Name: | Hewlett-Packard |
| Purchase Order Number: | H 047114 |
| Value of Purchase | \$ 54,594.54 |
| Value of Next Lowest Vendor: | \$ 59,400.00 |
| Savings: | <u>\$ 4,805.46</u> |
| 2. Nature of Purchase: | Defibrillators |
| Consortium Vendor Name: | Hewlett-Packard |
| Purchase Order Number: | H 046671 |
| Value of Purchase: | \$ 22,727.25 |
| Value of Next Lowest Vendor: | \$ 24,750.00 |
| Savings: | <u>\$ 2,022.75</u> |

**Minutes
Meeting of the
Board of Governors Finance Committee
University of Minnesota Hospitals & Clinics
April 23, 1986**

**MEMBERS
PRESENT:** Robert Nickoloff, Chair
Clifford Fearing
William Krivit, M.D., Ph.D.
Anton Potami
C. Edward Schwartz
Vic Vikmanis

**MEMBERS
ABSENT:** Edward Ciriacy, M.D.
Al Hanser
Jerry Meilahn

STAFF: Greg Hart
Nels Larson
Jane Morris
Barbara Tebbitt

GUESTS: Mark Koenig

**CALL TO
ORDER:** The meeting of the Finance Committee was chaired by
Mr. Robert Nickoloff and was called to order at 10:00 a.m.
in The Dale Shepherd Room of the Campus Club.

**MINUTES
APPROVED:** The minutes of the Finance Committee meeting held on 3/26/86
were approved.

**MARCH YTD
FINANCIAL
STATEMENTS
(INFORMATION):** Mr. Fearing reviewed the Report of Operations for the period
July 1, 1985 through March 31, 1986. He reported that
admissions through March of 13,000 were 2.9% below projections
and patient days for the period totaling 107,721 were 1,516 below
budget. Overall length of stay of 8.4 days was slightly above the
projected level of 8.1 days. Outpatient clinic visits for the
period were 163,361 or 8,314 (5.4%) above projected visits.

Total revenues over expense through March 31, 1986 are
\$13,712,633, a favorable variance of \$7,179,591 reflecting both a
favorable variance in net operating and non-operating revenues.
Patient care charges through March totaled \$145,695,059 (5.1%
above budget). Ancillary revenue is approximately \$6,537,000
(6.8%) above budget. Operating expenditures for the period were
\$130,984,874, or approximately \$2,267,000 above budgeted levels.

The balance in patient accounts receivable as of March 31, 1986 totaled \$54,951,247 representing 96.0 days of revenue outstanding. Total receivables continued to increase during the month of March within the commercial insurance and Minnesota Medical Assistance category.

Mr. Fearing gave an itemized review of the March year-to-date Cash Flow statement. He stated that total operating cash available of -\$55,235 plus transfers to plant of \$6,499,954 plus transfer to sinking fund of \$5,867,500 equals cash generated from operations of \$12,312,219. Also, \$7,597,713 in Medicare recoupments earned in fiscal year ending 6/30/85 was received in the current year and transferred to reserves. Mr. Fearing concluded that the Hospital continues to be in a very good position financially.

**3RD QUARTER
BAD DEBTS
FYE 6/30/86
(ENDORSEMENT)**

Mr. Fearing stated that the total amount of bad debts for Hospital accounts receivable during the third quarter of 1985-86 was \$487,173.89 (represented by 1,266 accounts). Total bad debts for the first three quarters of 1985-86 are \$1,595,687.44, which is 1.1% of gross charges (compared to a budgeted level of bad debts of 1.33%).

A motion was made and approved by the Committee to endorse the bad debt report and recommend it to the full Board of Governors.

**1986-87
PRELIMINARY
BUDGET REVIEW
(INFORMATION):**

Mr. Fearing presented the operating budget for 1986-87 and stated that during the last month changes have been incorporated into these current projections. The most important change is that a number of variables were worked through and it was found possible to come very close to balancing the budget instead of projecting a negative cash flow of \$1,242,400 as presented at last month's meeting. Mr. Fearing reviewed each of the variables that were changed including changes in third party contractual adjustments, the AWARE Gold Senior program, bone marrow transplant program, comparable worth payments, etc. Also, the price increase proposed in this current budget packet is 2.9%. Mr. Fearing also outlined a schedule showing how alternative volume projections would affect total Revenue Over Expenses and Cash Flow.

Preliminary approval of a 2.9% price increase was requested with final approval of the budget to be sought from the Board of Governors in May. A motion was made and approved by the Committee to endorse the 2.9% price increase and to recommend it to the full Board of Governors.

**1986-87
CAPITAL BUDGET
(INFORMATION):**

Mr. Hart introduced the proposed capital budget for 1986-87 and presented a major capital expenditure schedule for the next five years. He stated that this is a low year for capital purchases since most were included in the Unit J budget. He informed the Committee that this capital budget was presented to the Planning and Development Committee at their last meeting and it is presented here for information only, with approval being sought from the Committees and full Board of Governors in May.

**MEDICARE
CAPITAL COSTS
(INFORMATION):**

Mr. Fearing informed the Committee effective October, 1986, the federal administration is proposing legislation affecting Medicare capital cost payments. Senator Durenberger has also proposed a "Fair Capital Payment Bill", and Mr. Fearing explained that strong lobbying efforts have been made by UMHC and the Coalition for Fair Capital Cost Payments to encourage Senator Durenberger to provide the most equitable reimbursements for hospitals who have special capital needs, such as UMHC. Mr. Fearing felt that the lobbying efforts have successfully resulted in significant improvements in reimbursements UMHC may receive from Medicare through Senator Durenberger's bill. In its present form, Senator Durenberger's bill will result in a \$15,000,000 shortfall over a ten year period for UMHC compared to a \$46 million loss over the same period with the administration's proposal.

Currently, contact is being made with our congressional delegation to persuade them each to support Senator Durenberger's bill and to take action necessary to stop the administration's proposal from going into effect.

**REFINANCING
UPDATE
(INFORMATION):**

Mr. Fearing informed the Committee that presently, refinancing on the Series 1985 A fixed rate long term bonds is on hold until interest rates improve. He will continue to keep the Committee informed of action taken with regard to any refinancing action.

**PARKING RAMP
TUNNEL CONSTRUCTION
(ENDORSEMENT):**

Mr. Fearing requested approval from the Committee to begin the bidding and construction of the underground link connecting the Hospital to the new parking ramp facility. Mr. Fearing and Mr. Koenig presented design drawings of the tunnel and exact route it will take. A connection to the Phillips Wagensteen building is on hold at this time because of technical problems, but will be considered again in the future. Skylights for the tunnel are also being considered, but their inclusion will depend on construction costs coming in under budget. Construction is proposed to begin in June and completed by December. Dr. Krivit suggested that

improvements be made to the entrances of the Phillips Wagensteen building to make them as protected as possible since an underground connection or covered walkway from that building is not possible at this time.

A motion was made and endorsed by the Committee for bidding and construction of the parking ramp's underground link including the related elevator and walkway to begin and to recommend this item for approval to the full Board of Governors.

ADJOURNMENT:

There being no further business, the meeting of the Finance Committee was adjourned at 11:45 am.

Respectfully submitted,



Jane E. Morris
Recording Secretary



May 22, 1986

TO: Members, Board of Governors
FROM: Clifford P. Fearing
Senior Associate Director
SUBJECT: Report of Operations for the Period
July 1, 1985 through April 30, 1986.

The Hospital's operations for April reflects inpatient admission levels that are only slightly below budget and an outpatient census that continues to be above budgeted levels. The physical move into Unit J this month had little impact on our overall census levels. Ancillary service utilization continues at levels higher than anticipated with regard to both inpatient and outpatient populations. To highlight our position:

Inpatient Census: For the month of April, inpatient admissions totaled 1,490 or 10 below projected admissions of 1,500. Our overall average length of stay for the month was 8.3 days. Patient days for April totaled 11,570 and were 132 days below projections.

Most service areas experienced admission levels below budget this month. However, Neurology, Pediatrics, Psychiatry, Surgery and Urology experienced admission levels above budget during April. The year-to-date decrease in admission levels is primarily in the areas of Medicine, Newborn/Obstetrics, and Otolaryngology.

To recap our year-to-date inpatient census:

	1984-85 Actual	1985-86 Budget	1985-86 Actual	Variance	% Variance
Admissions	15,196	14,888	14,490	<398>	<2.7>
Avg. Lgth. of Stay	8.6	8.1	8.3	0.2	2.5
Patient Days	130,909	120,939	119,291	<1,648>	<1.4>
Percent Occupancy	65.0	66.5	66.3	<0.2>	<0.3>
Avg. Daily Census	430.6	397.8	392.4	<5.4>	<1.4>

Outpatient Census: Clinic visits for the month of April totaled 20,865 or 2,330 (12.6%) above projected visits of 18,535. The April year-to-date clinic census totaled 184,226 visits and is 6.1% (10,644 visits) above budget and 6.6% (11,467 visits) above our April total of a year ago.

Financial Operations: The Hospitals Statement of Operations shows total revenues over expenses of \$12,493,094 a favorable variance of \$5,246,152. This overall variance reflects both a favorable variance in net revenues from operations of \$3,066,000 and a favorable variance in non-operating revenue of \$2,180,000 due primarily to our investment income being higher than anticipated.

Patient care charges through April totaled \$161,732,797 and is 5.0% above budget. Routine revenue is 1.4% above budget and differs from our patient day variance which is 1.4% below budget. This difference continues to be due to a change in the mix of our bed utilization whereby we have experienced a slightly higher proportion of patient days in our higher priced beds (Intensive Care Units and Psychiatry). Ancillary revenue is approximately \$7,011,000 (6.6%) above budget and relates to the fact that (1) outpatient clinic visits are above projections, and (2) the utilization of ancillary services per patient are higher than anticipated. Inpatient ancillary revenue has averaged \$5,948 per admission compared to the budgeted average of \$5,570 per admission. Outpatient revenue per clinic visit is averaging \$149 compared to the budgeted average of \$136.

Operating expenditures through April totaled \$147,871,739 and are approximately \$4,953,000 (3.5%) above budgeted levels. The overall unfavorable variance is related to two factors. One continues to be the personnel costs (salaries and fringe benefits), drugs and medical supplies that reflect an increase in the average acuity of the inpatient population and the increase in our outpatient census levels. The second is the expense being recognized with the opening of Unit J, i.e., depreciation utilities, interest.

You will recall that last year we consciously did not budget for the occupancy of Unit J in the 1985-86 fiscal year because of uncertainty of an occupancy date. We have however recognized the April occupancy and related costs in our current year projections contained in the 1986-87 budget packet.

Accounts Receivable: The balance in patient accounts receivable as of April 30, 1986 totaled \$52,285,221 and represents 92.2 days of revenue outstanding. Our total receivables declined by \$2,666,000 during the month of April. The largest declines occurred in the Medicare and Minnesota Medical Assistance categories. We also had significant declines in the commercial insurance and Blue Cross AWARE categories.

Conclusion: The Hospital's overall operating position through April remains positive and above budgeted levels. With the move into Unit J behind us we have seen our inpatient census increase to levels we have not experienced for well over a year. The increase has been experienced in nearly all clinical service areas with the most significant increases occurring in Orthopaedics, Pediatrics, Surgery and Urology. Further, this increase in census appears to be part of a community-wide increase in hospital utilization. We will keep you apprised of what we learn about these changes and the affect they may have on the operations of the University of Minnesota Hospital and Clinic.

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS
EXECUTIVE SUMMARY OF FINANCIAL ACTIVITY
FOR THE PERIOD JULY 1, 1985 TO APRIL 30, 1986

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance Over/-Under Budget</u>	<u>Variance %</u>
Patient Care Charges	\$154,037,945	\$161,732,797	\$7,694,852	5.0%
Deductions from Charges	-24,445,649	-24,665,608	-219,959	-0.9%
Other Operating Revenue	3,508,341	4,052,455	544,114	15.5%
Total Operating Revenue	133,100,637	141,119,644	8,019,007	6.0%
Total Expenditures	-142,919,029	-147,871,739	-4,952,710	-3.5%
Net Operating Revenue	-9,818,392	-6,752,095	3,066,297	0.0%
Non-Operating Revenue and Expenses	17,065,334	19,245,189	2,179,855	12.8%
Revenue Over Expense	\$7,246,942	\$12,493,094	\$5,246,152	(1)

(1) Variance equals 3.5 % of total budgeted revenue.

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance Over/-Under Budget</u>	<u>Variance %</u>
Admissions	14,888	14,490	-398	-2.7%
Patient Days	120,939	119,291	-1,648	-1.4%
Average Daily Census	397.8	392.4	-5.4	-1.4%
Average Length of Stay	8.1	8.3	0.2	2.5%
Percentage Occupancy	66.5%	66.3%	-0.2%	-0.3%
Outpatient Clinic Visits	171,950	182,472	10,522	6.1%

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1, 1985 TO APRIL 30, 1986

Annual Budget		Budgeted	Actual	Variance Over/-Under Budget	Variance %
	Patient Care Charges				
\$56,779,100	Routine	\$47,395,561	\$48,079,378	\$683,817	1.4%
128,698,600	Ancillary	106,642,384	113,653,419	7,011,035	6.6
<u>\$185,477,700</u>	Gross Charges	<u>\$154,037,945</u>	<u>\$161,732,797</u>	<u>\$7,694,852</u>	<u>5.0%</u>
	Deductions from Charges				
\$17,491,600	Third Party Contractual Adjustments	\$14,636,666	\$13,768,015	\$-868,651	-5.9%
5,519,300	Billing Adjustments & Employee Benefits	4,583,055	6,272,702	1,689,647	36.9
501,100	Charitable Care	416,098	349,104	-66,994	-16.1
3,465,400	Other Contractual Adjustments	2,765,378	2,129,114	-636,264	-23.0
2,462,100	Provisions for Uncollectables	2,044,452	2,146,673	102,221	5.0
<u>\$29,439,500</u>	Total Deductions	<u>\$24,445,649</u>	<u>\$24,665,608</u>	<u>\$219,959</u>	<u>0.9%</u>
	Other Operating Revenue				
\$1,006,639	Food Services	\$851,815	\$854,522	\$2,707	0.3%
179,199	Department Non-Patient	149,250	149,982	732	0.5
827,464	CUECC Grants	689,175	791,288	102,113	14.8
1,133,734	Reference Lab Income	944,260	1,296,342	352,082	37.3
1,054,800	Pro Fees - Net Revenue	873,841	932,977	59,136	6.8
0	Donations to Operations from Restricted Funds	0	27,344	27,344	
<u>\$4,201,836</u>	Total Other Revenue	<u>\$3,508,341</u>	<u>\$4,052,455</u>	<u>\$544,114</u>	<u>15.5%</u>
<u>\$160,240,036</u>	Total Revenue from Operations	<u>\$133,100,637</u>	<u>\$141,119,644</u>	<u>\$8,019,007</u>	<u>6.0%</u>
	Expenditures				
\$80,688,210	Salaries	\$67,165,095	\$68,942,288	\$1,777,193	2.6%
14,399,890	Fringe Benefits	11,984,079	12,964,803	980,724	8.2
1,783,681	Academic Contracts	1,486,401	1,486,401	0	0.0
4,609,123	Resident Contracts	3,823,692	3,823,692	0	0.0
2,436,252	Physician Compensation	2,030,210	1,763,626	-266,584	-13.1
<u>\$103,917,156</u>	Total Salary, F.B. & Fees	<u>\$86,489,477</u>	<u>\$88,980,810</u>	<u>\$2,491,333</u>	<u>2.9%</u>
2,093,128	Laundry & Linen	1,734,480	1,673,707	-60,773	-3.5%
1,327,434	Raw Food	1,108,681	1,154,613	45,932	4.1
11,662,183	Drugs	9,686,453	10,752,498	1,066,045	11.0
4,750,266	Blood & Blood Derivatives	3,936,331	3,986,445	50,114	1.3
9,615,684	Medical Supplies	7,999,701	8,271,691	271,990	3.4
2,491,538	Utilities	1,944,069	1,999,067	54,998	2.8
1,637,797	Insurance	1,338,939	1,340,335	1,396	0.1
2,146,883	Rental	1,789,185	1,600,188	-188,997	-10.6
3,229,422	Maintenance & Repair	2,662,531	2,632,101	-30,430	-1.1
1,230,390	Communications	1,023,642	1,077,962	54,320	5.3
0	Net Loss on Disposal of Assets	0	15,436	15,436	
5,926,200	Campus Administration Expense	4,935,744	4,935,744	0	
7,422,395	Depreciation	6,181,939	6,980,403	798,464	12.9
1,062,979	Interest	885,331	1,943,588	1,058,257	119.5
13,431,261	General Supplies & Expense	11,202,526	10,527,151	-675,375	-6.0
<u>\$171,944,716</u>	Total Expenditures	<u>\$142,919,029</u>	<u>\$147,871,739</u>	<u>\$4,952,710</u>	<u>3.5%</u>
<u>\$-11,704,680</u>	Net Revenue from Operations	<u>\$-9,818,392</u>	<u>\$-6,752,095</u>	<u>\$3,066,297</u>	
	Non-Operating Revenue and Expenses				
\$13,326,900	Appropriations & Support	\$11,099,652	\$11,099,652		
666,342	Accrued Interest on Appropriation	555,104	555,104		
4,291,746	Interest Income on Reserves	3,574,496	5,973,535	\$2,399,039	
399,630	Shared Services	332,843	355,812	22,969	6.9%
1,804,876	Investment Income Held by Trustee	1,503,239	1,541,086	37,847	2.5
	Unrealized Loss on Writedown of Other Assets	0	-280,000	-280,000	
<u>\$20,489,494</u>	Total Non-Operating Revenue and Expenses	<u>\$17,065,334</u>	<u>\$19,245,189</u>	<u>\$2,179,855</u>	<u>12.8%</u>
<u>\$8,784,814</u>	Revenue Over Expense	<u>\$7,246,942</u>	<u>\$12,493,094</u>	<u>\$5,246,152</u>	<u>(1)</u>

(1) Variance equals 3.5 % of total budgeted revenue.



UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospital and Clinic
420 Delaware Street S.E.
Minneapolis, Minnesota 55455

April 23, 1986

TO: Members, Board of Governors

FROM: C. Edward Schwartz *C. E. Schwartz*
Hospital Director

SUBJECT: Capital Budget

Attached is a proposed Capital Budget Summary for 1986-87, along with a major capital expenditure projection for the next five years. This was reviewed with the Board of Governors in April, and we are seeking your endorsement at the May meeting.

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

CAPITAL BUDGET SUMMARY

I. 1986-87 Recurring Capital Items (Funded from current year capital)

Cardio-Respiratory	\$ 600,000
Operating Rooms	400,000
Heart Cath Lab	350,000
Clinical Laboratories	450,000
Labs Computer	400,000*
Radiology	500,000
ISD Computer Upgrade	700,000**
Miscellaneous Equipment/Remodeling	700,000
	<u>\$4,100,000</u>

* Total Purchase \$1,200,000; \$800,000 budgeted last year not yet spent.

** Total Purchase estimated at \$2,100,000; payments to be spread over approximately three years.

II. Major Capital Expenditures (Funded from prior year reserves)

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
Clinic Space Completion	\$539,000				
Mayo Remodeling-General		\$1,000,000	\$1,000,000	\$1,000,000	
Mayo Remodeling-OB	\$1,000,000	\$1,000,000			
Mayo Remodeling-Equipment	\$250,000	\$250,000			
Epilepsy Remodeling	\$550,000	\$600,000			
CRC Remodeling	\$125,000				
MRI (Second Unit)		\$2,000,000	\$2,000,000		
Human Genetics	\$150,000				
	<u>\$2,614,000</u>	<u>\$4,850,000</u>	<u>\$3,000,000</u>	<u>\$1,000,000</u>	

III. Other Major Projects (Funded by borrowing)

Parking Ramp/Tunnel	\$ 5,900,000
Psychiatry	4,200,000
cystoscopy	400,000
Other Mayo	1,300,000
	<u>\$11,800,000</u>



UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospital and Clinic
420 Delaware Street S.E.
Minneapolis, Minnesota 55455

May 22, 1986

TO: Members, Board of Governors

FROM: C. Edward Schwartz *C. E. Schwartz*
Hospital Director

SUBJECT: 1986-87 Employee Compensation Plan

The Hospital's Personnel Policies require that the Board of Governors approve the employee compensation plan on an annual basis. The intent of this letter is to outline the recommended compensation plan for fiscal year 1986-87. The following recommendations apply to employees in non-unionized, Hospital-dominated classifications.

A. Base Increase and Progression Plan

The primary component of the recommended compensation plan is a 3.5% increase in salaries, effective July 1, 1986. The 3.5% increase would be achieved with a 2.5% increase in salary ranges, and a 1.0% "progression" increase, by which employees move through their salary ranges. (NOTE: The 1% progression increase would not be provided to employee classes which have an alternate progression plan; most notably general staff nurses and pharmacists, as will be explained later).

The variables considered in recommending the 3.5% increase include community comparability, University comparability, and parity with bargaining unit contract obligations. A community salary survey done recently indicates that hospitals have implemented or are planning on implementing salary increases in the range of 4% - 6%. The University is planning on an increase of 3% for its Civil Service employees; this amount would be provided to Hospital employees in University-dominated classes. The existing union contracts call for increases of 3.5% and 4.0%. Given these factors, a 3.5% increase strikes a reasonable balance among the marketplace, the University plan, and our union contracts.

B. Comparable Worth

The second major component of the recommended compensation plan is continued implementation of comparable worth. We are recommending that implementation of the four-year plan approved in principle

last year be continued. The cost of the recommended comparable worth increases for 1986-87 are projected to be \$450,000; this translates to .55% of the base salary budget. This amount will, of course, not be distributed to all employees, but to those employee classes identified as deserving pay equity adjustments in varying amounts.

C. Nursing Adjustments

The third major component of the recommended plan involves adjustments in supplemental pay provisions for general staff nurses. These adjustments will bring us into a position of parity with the community. The cost of these changes for fiscal year 1986-87 is estimated at \$600,000; which translates to .74% of the total base salary budget.

D. "Step" Increases

The fourth component of the compensation plan involves continuation of past practices related to progression increases for certain job classifications, most notably general staff nurses, pharmacists, and some bargaining unit classes. The total cost of these items next year is \$438,000, or .53% of the base salary budget. These "step" increases are in lieu of the 1% progression increases referenced earlier.

A summary table of the salary plan is attached.

Each of the above items has been included in the operating budget presented to the Finance Committee and the Board of Governors, thus the salary plan recommendations can be implemented within the planned budget.

Lastly, it should be noted that in thinking about future year's plans, consideration is being given to a merit based pay system. We will discuss this with the Board in the next several months.

We will be happy to answer any questions you may have at next week's meeting.

/kj

SUMMARY COMPENSATION PLAN

1986-87

CATEGORY	HOSPITAL RECOMMENDATION	MARKETPLACE	UNIVERSITY	NOTES
BASE AND PROGRESSION INCREASES	3.5%	4% - 6%	3%	BARGAINING UNIT INCREASES 3.5% - 4.0%
COMPARABLE WORTH	.55%	NA	.40%	
NURSING ADJUSTMENTS	.74%	ALREADY BEING PAID	NA	
STEP INCREASES	.53%	.53% (estimated)	NA	



UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospital and Clinic
420 Delaware Street S.E.
Minneapolis, Minnesota 55455

May 28, 1986

TO: Members, Board of Governors

FROM: Clifford P. Fearing
Senior Associate Director

SUBJECT: 1986 Refinancing of 1985 Series A Fixed Rate Bonds.

I am pleased to inform you that on May 15, 1986 we successfully completed an advance refunding of our Series 1985 A fixed rate bonds. As you know, tax exempt interest rates have recently dropped to the lowest levels since the late 1970's. In April of 1986, the Regents approved a resolution to refinance all or a portion of the 1985 Series A fixed rate bonds. On May 15, 1986 the refinancing was completed. The investment bankers in the management group were Goldman Sachs & Co. as manager along with Dain Bosworth; Dougherty, Dawkins, Strand & Yost, Inc. and Piper, Jaffray & Hopwood, Inc.

The new bond issue, the General Obligation Refunding Bonds Series 1986 A will refund the Series 1985 A issue 1990 through 2001 Serial Bonds, and the 2005 and 2011 Term Bonds. This leaves the Series 1985 A Serial Bonds for 1987, 1988, 1989 outstanding. Aggregate principal outstanding on the Series 1985 A Bonds is \$7,915,000. These bonds were not refunded because the interest rate differentials on new bonds with similar maturity dates were not large enough to cover the costs of issuing these bonds.

The Series 1986 A Bond Issue is a twenty-five year financing plan for \$109,210,000. The net interest cost is 7.58% and the total interest cost is 7.747%. In comparison, the Series 1985 A Bonds totaled \$97,151,138 with a net interest cost of 9.47% and a total interest cost of 9.71%.

Total savings from this refinancing will be \$5,740,163. In present value terms this equates to \$2,805,269, i.e., future savings to be realized discounted at the interest rate as of today on the long term bonds. The first year savings from this refinancing are \$2,161,674 with an average annual savings thereafter of \$149,000. \$755,000 of the savings in year one were achieved by financing the accrued interest on the bonds from May 1st to June 5th on the 1986 A Series over the life of the 1986 A Series.

With this refinancing we now have interest rates that are at levels which can be considered as very reasonable in today's financial markets. As usual, we will continue to monitor the financial markets to take advantage of any future improvements which may occur.

CPF/jem