

**THE UNIVERSITY OF MINNESOTA HOSPITAL AND
CLINIC**

BOARD OF GOVERNORS

FINANCE, PLANNING & DEVELOPMENT COMMITTEE

MAY 26, 1993

THE UNIVERSITY OF MINNESOTA
BOARD OF GOVERNORS
FINANCE,
PLANNING AND DEVELOPMENT COMMITTEE

Wednesday, May 26, 1993
12:00 - 1:30 p.m.
University Hospital Board Room, 8-106

A G E N D A

- | | |
|--|------------------------------|
| I. Opening of Meeting and Approval of Minutes
of Meeting held 4/28/93
(Approval) pp. 1 - 3 | Nellie Johnson |
| II. April 30, 1993 Financial Statements
(Information) pp. 4 - 10 | Nels Larson |
| III. Board of Governors - Delegation of Authority
Policies (Approval) pp. 11 - 31 | Keith Dunder |
| IV. 1993/1994 Budget (Approval) pp. 32 - 44 | Greg Hart |
| V. Special Capital Project:
Registration and Scheduling System
(Information) pp. 45 - 48 | Mary Ellen Wells/
Al Dees |
| VI. External Relations Update
(Information) | Greg Hart |

* Lunch at 11:30 a.m. with Committee meeting at 12:00 p.m.

**THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BOARD OF GOVERNORS FINANCE,
PLANNING & DEVELOPMENT COMMITTEE
April 28, 1993**

MINUTES

ATTENDANCE:

Members: Cliff Fearing
Maria Gomez
Albert Hanser
Greg Hart
William Jacott, M.D.
Nellie Johnson
John Morrison

Guests: Elizabeth Arendt, M.D.
Charlie Jones, Board Member
Matthew Putnam, M.D.
Dolly Schmidt
Mary Ellen Wells

Staff: Beth Beyer
Giles Caver
Joanne Disch
Keith Dunder
Mark Koenig
Nels Larson
Shannon Lorbiecki
Ted Thompson, M.D.

CALL TO ORDER:

The meeting of the Finance, Planning & Development Committee was called to order by Nellie Johnson, Committee Chairperson, on April 28, 1993 at 12:08 P.M.

APPROVAL OF THE MINUTES:

The Board of Governors Finance, Planning & Development Committee seconded and passed a motion to approve the Finance, Planning & Development Committee minutes of the March 24, 1993 meeting as written.

MARCH FINANCIAL STATEMENTS:

Mr. Cliff Fearing reported to the Committee that for the month of March, inpatient admissions totaled 1,640 which was 197 more than budget; average length of stay was 7.6 days; patient days totaled 11,885 which were 143 days over budget.

Outpatient encounters for the month of March totaled 35,953 which was 22.4% more than budgeted volumes. While some of this variance reflects real increases in activity, a portion of it is due to a change in the reporting systems for outpatient encounters.

MARCH FINANCIAL STATEMENTS (CONT.):

Mr. Fearing indicated that the Hospital's Statement of Operations shows revenues being greater than expenses by \$2,643,000 and an unfavorable variance from budget of \$1,888,000. Operating expenditures through March totaled \$232,671,000 and were 1.1% below budgeted levels.

Mr. Fearing stated that although UMHC's financial position continues to be positive, it is below budget on a year-to-date basis. The operating position for the month of March however, was both positive and above the budgeted level.

QUARTERLY CAPITAL EXPENDITURE REPORT:

Mr. Fearing reported to the Committee, for information, the capital expenditure report for July 1, 1993 through March 31, 1993. UMHC spent \$2,421,459 out of a budgeted \$8,809,933 for the nine month period.

THIRD QUARTER 1992/93 BAD DEBTS:

Mr. Fearing reported that bad debts for the third quarter 1992-93 totaled \$854,835.46, representing 2,201 accounts. Recoveries amounted to \$12,650.78 leaving a net charge-off of \$842,184.68. This amount represents .90% of gross charges and compares to a budgeted level of 0.86%.

The Finance, Planning and Development Committee seconded and passed a motion to endorse the Third Quarter 1992-93 Bad Debt report as submitted.

CAPITAL ITEMS - Sports Medicine/Hand Institutes:

Dr. Elizabeth Arendt, Dr. Matthew Putnam, Dolly Schmidt and Mary Ellen Wells presented to the Committee, for approval, the proposal for a Sports Medicine Institute and Hand Center. The activity levels have been revised to reflect a phased in start-up period and price increases in future years have been reduced based on the Committee's comments from last month's meeting.

The Committee seconded and passed a motion to endorse a five year lease of 12,000 square feet with leasehold improvements and equipment costs of \$825,000 for the Sports Medicine Institute and Hand Center Proposal.

BUDGET DISCUSSIONS:

Mr. Cliff Fearing summarized the assumptions which went into preparation of the preliminary 1993/1994 operating budget. These assumptions relate primarily to activity levels, patient charges, reimbursement levels, and expenditure levels. The budget was developed within the framework of a break-even operating margin and no overall charge increase as the Board of Governors requested.

Over \$30 million in operating expense reductions from the 1991/1992 expense base are incorporated into the budget. Plans continue to achieve a \$45 million cost reduction target by June 30, 1995.

This item was presented to the Committee for information and will be brought back for approval at the May meeting.

BOARD OF GOVERNORS - DELEGATION OF AUTHORITY POLICIES:

Mr. Keith Dunder presented to the Committee, for discussion purposes, a proposed revision to the "Board of Governors Policy on Capital Expenditures", presented proposed guidelines for the Finance, Planning and Development Committee agenda, and several new policies in draft form for review and consideration. These policy changes were developed in response to the revised delegation of authority from the Board of Regents to the Board of Governors.

There being no further discussion, the March 24, 1993 meeting was adjourned at 2:15 p.m. A motion was seconded and passed to convene a non-public session of the Board of Governors Finance, Planning and Development Committee. A non-public session of the Committee was called at 2:18 p.m. to discuss specific marketing matters.

Respectfully submitted,



Beth Beyer
Recording Secretary

UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

Harvard Street at East River Parkway
Minneapolis, MN 55455

May 26, 1993

TO: Finance, Planning and Development Committee
FROM: Clifford P. Fearing
SUBJECT: Report of Operations for the Period
July 1, 1992 through April 30, 1993

The Hospital's operations for the month of April reflect both inpatient census and outpatient encounters to be greater than budgeted levels. Average length of stay continues to be lower than anticipated.

INPATIENT CENSUS: For the month of April, inpatient admissions totaled 1,515 which was 99 more than budgeted admissions of 1,416. Our overall average length of stay for the month was 7.1 days. Patient days for April totaled 11,032 and were 51 days below budget. Admissions were over budget in the areas of Gynecology, Clinical Research, and Surgery.

OUTPATIENT CENSUS: Outpatient encounters (including CUHCC and Home Health) for the month of April totaled 34,930 which was 4,001, or 12.9%, more than budgeted volumes of 30,929. While some of this variance reflects real increases in activity, a portion of it (15,473 YTD) is due to a change in the reporting systems for outpatient encounters. Areas in which encounters were significantly over budget include Adult Psych, Ambulatory Surgery, and CUHCC.

To recap our census:

Monthly Data					YTD Data					
91/92	92/93	92/93		%	91/92	92/93	92/93		%	
<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>	
1,519	1,416	1,515	99	7.0	Admissions	15,086	14,282	15,000	718	5.0
11,325	11,083	11,032	(51)	(0.5)	Patient Days	117,238	114,508	111,592	(2,916)	(2.6)
7.3	7.8	7.1	(0.7)	(9.0)	Avg Length of Stay	7.8	8.0	7.4	(0.6)	(7.5)
377.5	369.4	367.7	(1.7)	(0.5)	Avg Daily Census	384.4	376.6	367.1	(9.5)	(2.5)
67.3	65.9	65.4	(0.5)	(0.8)	Percent Occupancy	67.8	67.1	65.4	(1.7)	(2.5)
32,213	30,929	34,930	4,001	12.9	Outpt Encounters	290,159	291,039	324,170	33,131	11.4

REPORT OF OPERATIONS

April 1993

PAGE 2

FINANCIAL OPERATIONS: The Hospital's Statement of Operations shows revenues being greater than expenses by \$4,034,000 and an unfavorable variance of \$1,295,000.

Patient care charges through April totaled \$319,194,000, which was .3% over budget. Ancillary revenue was \$2,709,000 (1.2%) over budget and routine revenue was \$1,622,000 (1.8%) under budget. Inpatient revenue averaged \$16,249 per admission compared to the budgeted average of \$17,540. Outpatient revenue per outpatient encounter averaged \$233 per visit compared to the budgeted average of \$232.

Deductions from charges totaled \$89,019,000 which was \$6,648,000 (8.1%) over budgeted deductions of \$82,371,000. The unfavorable variance is due to an increased volume of HMO/PPO patients and higher than anticipated Billing Adjustments. The increase in HMO/PPO volume was attributed to an increase in the Preferred One, Transplant, Affordable, and U-Care patient populations. The Billing Adjustments variance is related to out-of-state welfare and a collective effort to clean up aged accounts receivables.

Operating expenditures through April totaled \$257,528,000 and were \$3,783,000 (1.4%) below budgeted levels of \$261,311,000. The overall favorable variance is due to reduced spending levels in almost all categories of expenses.

ACCOUNTS RECEIVABLE: The balance in patient accounts receivable as of April 30, 1993, totaled \$54,100,000 and represented 66.0 days of revenue outstanding. The overall decrease in patient receivables in April is 2.8 days. This decrease is due to a collective effort to reduce accounts receivable balances.

CONCLUSION: While our operating position continues to be positive, it is below budget on a year-to-date basis. The operating position for the month of April is both positive and above the budgeted level. The April outcome is primarily due to the increase in outpatient and inpatient census, a reduction in inpatient ancillary service utilization, and a staffing level that is in line with budget.

**UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
SUMMARY STATEMENT OF OPERATIONS
FOR THE PERIOD JULY 1, 1992 TO APRIL 30, 1993**

	1992-93 Budgeted	1992-93 Actual	Variance Over/(Under) Budget	Variance %
Gross Patient Revenue	\$318,107,000	\$319,194,000	\$1,087,000	0.3%
Deductions From Revenue	82,371,000	89,019,000	6,648,000	8.1%
Net Patient Service Revenue	235,736,000	230,175,000	(5,561,000)	-2.4%
Other Operating Revenue				
Appropriation & Support	12,930,000	12,883,000	(47,000)	-0.4%
Other Revenue	9,989,000	10,182,000	193,000	1.9%
Total Other Revenue	22,919,000	23,065,000	146,000	0.6%
Total Revenue From Operations	258,655,000	253,240,000	(5,415,000)	-2.1%
Operating Expenses:				
Salaries	101,843,000	103,254,000	1,411,000	1.4%
Fringe Benefits	26,013,000	26,298,000	285,000	1.1%
Contract Compensation	16,718,000	16,791,000	73,000	0.4%
Supplies And Services	61,395,000	56,998,000	(4,397,000)	-7.2%
Utilities And Maintenance	10,569,000	10,456,000	(113,000)	-1.1%
General Supplies & Expense	14,944,000	15,527,000	583,000	3.9%
Insurance	1,725,000	1,502,000	(223,000)	-12.9%
Depreciation & Amortization	15,715,000	15,075,000	(640,000)	-4.1%
Interest	8,442,000	8,325,000	(117,000)	-1.4%
Minnesota Care Tax	1,200,000	776,000	(424,000)	-35.3%
Provision For Uncollectibles	2,747,000	2,526,000	(221,000)	-8.0%
Total Operating Expenses	261,311,000	257,528,000	(3,783,000)	-1.4%
Net Revenue From Operations	(2,656,000)	(4,288,000)	(1,632,000)	
Nonoperating Gains: Investment Income	7,985,000	8,322,000	337,000	4.2%
Revenue And Gains In Excess Of Expense	<u>\$5,329,000</u>	<u>\$4,034,000</u>	<u>(\$1,295,000)</u>	
	1992-93 Budgeted	1992-93 Actual	Variance Over/(Under) Budget	Variance %
Admissions	14,282	15,000	718	5.0%
Patient Days	114,508	111,592	(2,916)	-2.5%
Average Length Of Stay	8.0	7.4	(0.6)	-7.5%
Average Daily Census	376.6	367.1	(9.5)	-2.5%
Percentage Occupancy	67.1	65.4	(1.7)	-2.5%
Outpatient Encounters	291,039	324,170	33,131	11.4%

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

BALANCE SHEETS

APRIL 30, 1993 AND JUNE 30, 1992

ASSETS	<u>4/30/93</u>	<u>6/30/92</u>	LIABILITIES AND FUND BALANCES	<u>4/30/93</u>	<u>6/30/92</u>
<u>General Funds</u>			<u>General Funds</u>		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 57,784,000	\$ 44,280,000	Current maturities of long-term debt and capital lease obligations	\$ 7,373,000	\$ 7,241,000
Receivables:			Accounts payable	27,991,000	24,910,000
Patient services, net of allowances and uncollectible accounts of \$ 27,098,000 at April '93 and \$32,575,000 at June '92	54,100,000	70,773,000	Due to third-party payors	15,539,000	14,822,000
State appropriations	2,586,000	1,173,000	Accrued liabilities:		
Other	2,275,000	2,274,000	Salaries, wages and employee benefits	18,926,000	19,931,000
Inventories	5,255,000	5,291,000	Interest	2,347,000	4,700,000
Prepaid expenses and other	686,000	767,000	Construction retainages	36,000	139,000
Total current assets	<u>122,686,000</u>	<u>124,558,000</u>	Total current liabilities	<u>72,212,000</u>	<u>71,743,000</u>
Assets whose use is limited:					
By board for property and equipment replacement and expansion	124,138,000	118,699,000	Long-term debt and capital lease obligations, less current maturities	155,712,000	162,955,000
Under bond indenture agreement held by trustee	16,468,000	17,612,000	Fund Balance	203,955,000	199,523,000
Total assets whose use is limited	<u>140,606,000</u>	<u>136,311,000</u>	TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 431,879,000</u>	<u>\$ 434,221,000</u>
Property and Equipment, net	151,935,000	156,556,000			
Other Assets:					
Long-term portion - promissory note	5,342,000	4,355,000			
Deferred third-party reimbursement	5,182,000	5,738,000			
Deferred financing costs	876,000	925,000			
Other	5,252,000	5,778,000			
Total other assets	<u>16,652,000</u>	<u>16,796,000</u>			
TOTAL ASSETS	<u>\$ 431,879,000</u>	<u>\$ 434,221,000</u>			
<u>Restricted Funds</u>			Fund Balances:		
Investments	<u>\$ 8,200,000</u>	<u>\$ 8,162,000</u>	Endowment funds	\$ 2,878,000	\$ 2,776,000
			Specific purpose funds	5,322,000	5,386,000
				<u>\$ 8,200,000</u>	<u>\$ 8,162,000</u>

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
STATEMENT OF CASH FLOWS OF GENERAL FUNDS
FOR THE PERIOD JULY 1, 1992 TO APRIL 30, 1993

OPERATING ACTIVITIES AND NONOPERATING REVENUES:

Revenue and gain in excess of expenses	<u>\$4,034,000</u>
Adjustments to reconcile revenue and gain in excess of expenses to net cash provided by operating activities and gain:	
Depreciation and amortization	15,740,000
Unreimbursed University general and administrative services	189,000
(Increase) decrease in receivables	15,258,000
(Decrease) increase in accounts payable	3,081,000
(Decrease) increase in net amounts due to third-party payors	717,000
(Decrease) increase in accrued liabilities	(3,462,000)
(Increase) decrease in inventories	37,000
(Increase) decrease in prepaid expenses and other assets	122,000
	<u>31,682,000</u>
Total adjustments	<u>31,682,000</u>
Net cash provided by operating activities and gain	<u>\$35,716,000</u>

INVESTING ACTIVITIES:

Acquisition of property, plant and equipment	(\$9,836,000)
Cash outflows for acquisition	(1,640,000)
Increase in assets whose use is limited	<u>(4,294,000)</u>
Net cash used in investing activities	<u>(\$15,770,000)</u>

FINANCING ACTIVITIES:

Repayment of long-term debt	(\$6,150,000)
Repayment of notes payable	(492,000)
Funds transferred from other sources	<u>200,000</u>
	<u>(\$6,442,000)</u>
Increase in cash and equivalents	\$13,504,000
Cash and cash equivalents at June 30, 1992	<u>\$44,280,000</u>
Cash and equivalents at April 30, 1993	<u>\$57,784,000</u>

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE PERIOD JULY 1, 1992 TO APRIL 30, 1993

	<u>General</u>	<u>Donor Restricted Funds</u>	
		<u>Specific</u>	<u>Endowment</u>
Balance at beginning of year	\$199,523,000	\$5,386,000	\$2,776,000
Additions:			
Revenue and gain in excess of expenses	4,034,000		
Unreimbursed University general and administrative services	189,000		
Adjustment to Shared Building	8,000		
Transfer to finance property and equipment additions	201,000	(201,000)	
Gifts and investment income		428,000	114,000
Deductions:			
Disbursements		(291,000)	(12,000)
Balance at end of period	<u>\$203,955,000</u>	<u>\$5,322,000</u>	<u>\$2,878,000</u>

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
 ADMISSIONS & AVERAGE LENGTH OF STAY (ALOS) BY SERVICE
 1991/92 AND 1992/93 COMPARISON

CLINICAL SERVICE	ADMISSIONS							AVERAGE LENGTH OF STAY		
	1991/92		1992/93			CHANGE	% CHANGE	1991/92	1992/93	CHANGE
	APR YTD ACTUAL	APR YTD BUDGET	APR YTD ACTUAL	VARIANCE	% VARIANCE	FROM PRIOR YR	FROM PRIOR YR	APR YTD ALOS	APR YTD ALOS	
ANESTHESIOLOGY	1	3	2	(1)	-33.3%	1	100.0%	1.5	6.0	4.5
CLINICAL RESEARCH	250	222	303	81	36.5%	53	21.2%	3.0	3.5	0.5
DENTISTRY	3	4	2	(2)	-50.0%	(1)	-33.3%	2.3	0.0	(2.3)
ORAL SURGERY	63	95	65	(30)	-31.6%	2	3.2%	1.5	1.6	0.1
DERMATOLOGY	12	14	2	(12)	-85.7%	(10)	-83.3%	6.4	6.0	(0.4)
FAMILY PRACTICE	100	101	157	56	55.4%	57	57.0%	3.4	4.3	0.9
GYNECOLOGY	945	932	1,134	202	21.7%	189	20.0%	4.6	4.4	(0.2)
MEDICINE	3,974	3,489	3,659	170	4.9%	(315)	-7.9%	6.4	6.4	0.0
NEWBORN	275	281	287	6	2.1%	12	4.4%	1.9	1.8	(0.1)
NEUROLOGY	292	301	352	51	16.9%	60	20.5%	6.4	5.1	(1.3)
NEUROSURGERY	972	1,038	970	(68)	-6.6%	(2)	-0.2%	5.8	5.2	(0.6)
OBSTETRICS	431	413	407	(6)	-1.5%	(24)	-5.6%	3.0	3.1	0.1
OPHTHALMOLOGY	333	294	285	(9)	-3.1%	(48)	-14.4%	2.6	2.2	(0.4)
ORTHOPEDICS	978	1,000	942	(58)	-5.8%	(36)	-3.7%	5.4	4.8	(0.6)
OTOLARYNGOLOGY	309	341	288	(53)	-15.5%	(21)	-6.8%	4.2	4.6	0.4
PEDIATRICS	2,423	2,405	2,481	76	3.2%	58	2.4%	9.0	8.5	(0.5)
PHYSICAL MEDICINE & REHAB	155	152	179	27	17.8%	24	15.5%	19.1	18.3	(0.8)
PSYCHIATRY ADULT	634	600	641	41	6.8%	7	1.1%	14.7	14.4	(0.3)
PSYCHIATRY CHILD	70	58	84	26	44.8%	14	20.0%	25.9	25.8	(0.1)
RADIATION THERAPY	1	2	0	(2)	-100.0%	(1)	-100.0%	1.0	0.0	(1.0)
RADIOLOGY	16	13	37	24	184.6%	21	131.3%	1.4	1.5	0.1
SURGERY	2,382	2,075	2,358	283	13.6%	(24)	-1.0%	9.5	9.1	(0.4)
UROLOGY	467	449	365	(84)	-18.7%	(102)	-21.8%	4.9	4.4	(0.5)
TOTAL	15,086	14,282	15,000	718	5.0%	(86)	-0.6%	7.8	7.4	(0.4)

UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

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

May 19, 1993

TO: Members, Finance, Planning, and Development Committee

FROM: Keith Dunder
Hospital Counsel

SUBJECT: Board of Governors Delegation of Authority Policies

The Board of Governors Committee on Bylaws and Organizational Review has asked the Finance, Planning, and Development Committee to review the Board of Governors policy on capital expenditures. The Committee has also been asked to consider any additional policies which should be developed in response to the revised delegation of authority from the Board of Regents to the Board of Governors.

Enclosed is a proposed revision to the "Board of Governors Policy on Capital Expenditures," proposed guidelines for the Finance, Planning, and Development Committee agenda, and several new policies for your review and consideration.

These policies were discussed in draft form at the April Committee meeting and we are seeking endorsement from the Committee and approval by the Board of Governors at the May meetings. Any further revisions to these policies will be brought back to the Finance, Planning, and Development Committee and the Board of Governors for approval. If you have any questions prior to the meeting I can be reached at 626-5429.

Enclosures:

1. Board of Governors Policy on Capital Expenditures
2. Finance, Planning, and Development Committee Agenda Guidelines
3. Purchase or Lease of Real Property
4. Architect Selection
5. Construction and Remodeling Under \$100,000
6. Construction and Remodeling Over \$100,000
7. Lending to Outside Entities
8. Sign-off on Formation of New Corporate Entity
9. Movement of Assets Out of UMHC Into New Corporate Entity
10. Signature Authority for New UMHC Affiliated Corporate Structures
11. UMHC Investment in Non-University Investment Pools

DRAFT POLICY

BOARD OF GOVERNORS POLICY

Adopted:
October 26, 1988Revisions Approved:
February 22, 1989

SUBJECT: Capital Expenditures

I. POLICYA. PURPOSE

In order to assure the continuous fulfillment of its mission, UMHC shall make necessary and appropriate capital expenditures to improve or expand its physical facility or to otherwise enhance the operation of UMHC.

B. DEFINITIONS

1. Recurring Capital Expenditures are those construction or remodeling projects or equipment purchases/leases which involve total expenditures of \$500 to ~~\$100,000~~ \$250,000 and have a depreciable life of three years or longer.
2. Major Capital Expenditures are those construction or remodeling projects or equipment purchases/leases which involve total expenditures of ~~\$100,000~~ \$250,000 to ~~\$600,000~~ \$750,000 and have a depreciable life of three years or longer.
3. Special Projects are those construction or remodeling projects or equipment purchase/leases which involve total expenditures of over ~~\$600,000~~ \$750,000 and have a depreciable life of three years or longer.
4. Leased equipment shall be defined as "major capital expenditures" or "special projects" based on total expenditures over the entire term of the lease.

II. PROCEDURE

A. LONG-RANGE CAPITAL PLAN

1. Between April and June of each year the Hospital Director shall provide a long-range capital expenditure plan to the Board of Governors. This plan shall be reviewed by the Planning and Development Committee and the Finance Committee. The plan should identify total capital expenditures anticipated for each of the next

five fiscal years, and should also identify anticipated special projects on an item-by-item basis.

2. The long-range capital plan is provided to the Board for use in financial and program planning. No specific action on the long range capital plan is required. Authorization to proceed with any element of the plan shall not be considered to have been provided until approval of the annual capital budget has occurred.

B. ANNUAL CAPITAL BUDGET

1. Between April and June of each year the Hospital Director shall recommend an annual capital budget. This capital budget shall be presented for endorsement to the ~~Planning and Development Committee~~, the Finance, Planning and Development Committee and to the full Board of Governors. The annual capital budget is a component of the total operating budget which is submitted annually to the Board of Regents for final approval.
2. The annual capital budget shall include all capital expenditures, and shall identify major capital expenditures and special projects on an item-by-item basis.
3. The annual capital budget shall include lease payments in the amount anticipated for payment in the budget year.

C. APPROVAL OF RECURRING AND MAJOR CAPITAL EXPENDITURES

1. Board of Governors endorsement of the annual capital budget shall authorize the expenditure of up to 105% of the approved budget limit for recurring and major capital expenditures in aggregate. The Board shall be informed of each major capital expenditure as it occurs during the fiscal year prior to the commitment of funds.
2. A report of year-to-date aggregate capital expenditures and projected year-end capital expenses shall be provided to the Finance, Planning and Development Committee and the full Board of Governors each quarter. Expenditures associated with lease arrangements shall be reported over the term of the lease, as payments are made.

3. If quarterly trends indicate that the approved capital budget will be exceeded by more than 5%, a revised capital expense projection shall be submitted for Board information.

D. APPROVAL OF SPECIAL PROJECTS

1. Board of Governors endorsement of the annual capital budget shall constitute conceptual approval only for all special projects. Each special project shall be presented individually to the Finance, Planning and Development Committee, ~~the Finance Committee~~ and the full Board of Governors for final approval. No commitment of funds for special projects, other than planning costs, shall occur without final Board approval.
2. Any expenditure that is expected to cause a special project budget to be exceeded by the lesser of 10% or \$250,000 will be presented to the Board for information. Where possible, that information will be presented prior to the authorization of expenditure. Consultation from the Chair of the Board, ~~the Chair of the Planning and Development Committee~~, and the Chair of the Finance, Planning and Development Committee shall be sought when presentation to the full Board prior to expenditure authorization is not feasible.

E. GUIDELINES FOR PRESENTING PROJECTS TO THE BOARD OF REGENTS

1. The Board of Governors shall comply fully with terms and conditions outlined in the Regents Policy: University of Minnesota Hospital and Clinic Delegation of Authority to the Board of Governors (11/13/92). ~~"Guidelines for Presenting Projects to the Physical Planning and Operations Committee of the Board of Regents."~~ That policy reaffirms the Board of Governors' authority to review and approve capital projects for The University of Minnesota Hospital and Clinic within the capital budget, except for the following categories which require approval by the Board of Regents: with four categorical exceptions requiring approval by the Board of Regents. Categories of capital projects requiring approval by the Board of Regents include:
 - a. Projects with legislative funding
 - b. Projects which require an increase in

capital indebtedness (i.e., sale of bonds,
bank loans, etc.)

- ~~3. Projects to construct new facilities with an estimated cost in excess of \$100,000~~
- ~~4. Increases in project cost over \$100,000 for any projects approved pursuant to the above.~~

5/18/93

DRAFT POLICY

BOARD OF GOVERNORS POLICY

Adopted:
Revisions Approved:

SUBJECT: FINANCE, PLANNING, AND DEVELOPMENT COMMITTEE AGENDA GUIDELINES

I. POLICY

To aid in the fulfillment of Finance, Planning and Development Committee duties, Hospital Management in consultation with the committee chair, will provide an agenda for each meeting. The agenda will outline all business before the committee and provide supporting material when required. The Board of Governors Bylaws establish Finance, Planning and Development duties as follows:

- A. The Committee shall be responsible for reviewing and monitoring the finances of The University of Minnesota Hospital and Clinic, for examining the monthly financial reports from the Hospital Director, and for formulating appropriate recommendations to the Board of Governors.
- B. The Committee shall be responsible for the preparation and submission to the Board of Governors of a budget showing the expected receipts, income and expenditures for the ensuing year for its review, recommendations and transmittal to the Board of Regents in time for review and approval by the Board of Regents prior to the end of the fiscal year. The Committee shall be further responsible for the examination of the monthly financial reports, preparation of a quarterly report for submission to the Executive Committee and such other financial reports as may be required.
- C. The Committee shall be responsible for reviewing and monitoring the physical status of The University of Minnesota Hospital and Clinic (including additions, alterations, repair and maintenance) and for formulating appropriate recommendations to the Board of Governors.
- D. The Committee shall be responsible for reviewing and monitoring hospital programs and for formulating appropriate recommendations to the Board of Governors.
- E. The Committee shall be responsible for reviewing and monitoring strategic planning, marketing and outreach activities and for formulating appropriate recommendations to the Board of Governors.

- F. The Committee shall be responsible for reviewing and monitoring The University of Minnesota Hospital and Clinic's purchasing policies and practices and for formulating appropriate recommendations to the Board of Governors.

II. PROCEDURE

The following topics will periodically appear on the Finance, Planning, and Development Committee agenda for the action noted.

Report	Frequency	Action Requested
A. <u>Financial Status</u>		
1. Financial Statements	Quarterly	Information
2. Bad Debt Write Off	Quarterly	Approval
B. <u>Non-Capital Purchasing Activity</u>		
1. Line Item purchases or supply contracts exceeding \$750,000	Quarterly	Information
2. 3rd Step Vendor Appeals	Quarterly	Information
3. Service Contracts - \$250,000 - 750,000	Quarterly	Information
4. Service Contracts Exceeding \$750,000	As required	Approval
5. Consultant Contracts Exceeding \$750,000	As required	Approval
6. Consultant Contracts \$250,000 - \$750,000	Quarterly	Information
7. Awards to other than Low Bidder Exceeding 100,000	Quarterly	Information
8. Lease or purchase of Real Property \$250,000 - \$750,000	As required	Information
9. Lease or purchase of Real Property greater than \$750,000	As required	Approval
C. <u>Capital Purchasing Activity</u>		
1. Equipment \$250,000 - \$750,000	As required	Information
2. Construction/Remodeling \$250,000 - \$750,000	As required	Information
3. Equipment Exceeding \$750,000	As required	Approval
4. Construction, Remodeling Exceeding \$750,000	As required	Approval
5. Status of Capital Expenses vs Budget	Quarterly	Information
6. Architects/Engineer Contracts \$250,000 - \$750,000	Quarterly	Information
7. Architects/Engineer Contracts exceeding \$750,000	As required	Approval
D. <u>Operating Budget</u>	Annually	Approval
E. <u>Capital Budget</u>	Annually	Approval
F. <u>Hospital Development Activity</u>	As required	Information
G. <u>Changes in Purchasing Policy</u>	As required	Approval
H. <u>Loans to Outside Entities</u> \$300,000 - 750,000	As required	Information
I. <u>Loans to Outside Entities</u> Exceeding \$750,000	As required	Approval
J. <u>Formation of New Entity</u>	As required	Approval

Other items will be added to the agenda as needed.

5/18/93

DRAFT POLICY

BOARD OF GOVERNORS POLICY

Adopted:
Revisions Approved:

SUBJECT: PURCHASE OR LEASE OF REAL PROPERTY

I. POLICY

Real Property shall be purchased or leased to meet the needs of the hospital in fulfilling its mission. The Hospital Director or Designee shall negotiate on behalf of the Hospital in all real estate transactions with the objective of maximizing benefit to the Hospital.

II. PROCEDURE

- A. Signature authority for the lease and purchase of real property is defined in the Hospital's "Signature Authority Policy".
- B. Board review and approval of purchase or lease of real property is outlined in the Finance, Planning, and Development Committee agenda guidelines.
- C. All purchases of real property must have two (2) appraisals from accredited appraisers.
- D. An appropriate environmental assessment must be done prior to the purchase of any property which has the potential of environmental contamination.
- E. All purchase agreements or leases for real property in excess of \$750,000 must have prior Board of Governors approval or contain a contingency for Board of Governors' approval.
- F. Any real estate or leasing agent representing UMHC must have a valid license in the state in which he/she practices.
- G. When required, all real estate or leasing agents representing UMHC must have proven experience in transactions similar to the one at hand.
- H. All real estate leases or real estate purchase agreements shall be reviewed by the Hospital Counsel prior to execution.
- I. Consultation pursuant to Minn. Stat. 137.02 Subd. 3a shall occur prior to closing any real property transaction.

5/18/93

DRAFT POLICY

BOARD OF GOVERNORS POLICY

Adopted:
Revisions Approved:

SUBJECT: ARCHITECT SELECTION

I. POLICY

In the selection of Architects, UMHC is committed to quality, efficiency, cost effectiveness and creativity in all building design and will seek architects that best represent characteristics. The process for selection of architects will be fair and efficient and the General Director shall have authority over this process within the guidelines established by the Board of Governors.

II. PROCEDURE

- A. Architect contracts are subject to Board of Governors review and/or approval as stated in "Finance, Planning, and Development Committee agenda guidelines."
- B. Signature authority for architect contracts is defined in the Hospital's signature authority policy.
- C. Selection of architects for projects exceeding \$750,000 where legislative funding is involved is accomplished through the State Designer Selection Board.
- D. The Hospital's Facility Planning Office will develop a pre-certification process for architects wishing to work on construction/renovation projects under \$750,000. Once pre-qualified, one or more architects will be asked to propose on each project under \$750,000.
- E. Pre-qualified and/or non pre-qualified firms may propose on projects greater than \$750,000. At least two competitive proposals will be sought for each project greater than \$750,000.
- F. Architect selection will be based on (at least) the following criteria:

1. Demonstrated experience in health care design.
2. Demonstrated knowledge of current practices and technical advances in health care design.
3. Creative expertise as it applies to the specific project.
4. Appropriateness of proposed staff.
5. Design fee
6. Acceptable contractual commitment.

5/18/93

DRAFT POLICY

BOARD OF GOVERNORS POLICY

Adopted:
Revisions Approved:

SUBJECT: CONSTRUCTION AND REMODELING UNDER \$100,000

I. POLICY

UMHC is committed to maintain high quality, up to date facilities. Toward this end, construction and remodeling projects under \$100,000 may be accomplished through an "open" or "time and materials" construction contract which will be competitively bid no less than every 3 years.

II. PROCEDURE

A. Submission of Bids

At least every three years UMHC will let a bid for a "time and materials" construction contract. The successful contractor will provide cost estimates and accomplish work on remodeling and construction projects under \$100,000. Each contractor will be required to provide the following information when submitting bids:

1. Proof that company is licensed to do business in the State of Minnesota as a general contractor.
2. Documentation showing the company has had a minimum of five years health care related experience as a general contractor.
3. Business references where a variety of small project work of a similar nature and magnitude in a health care facility has been done.
4. Current listing of major pieces of equipment owned to support various construction projects.
5. Names and job titles of full time employees proposal proposed to fulfill this contract.

6. A list of personnel showing titles and a twenty-four (24) hour phone contact for emergency work.

B. Selection Criteria

UMHC will award the contract to the contractor submitting the bid determined to be in the best interests of the Hospital, provided the bid has been submitted in accordance with the bidding requirements, is judged to be reasonable, and does not exceed the funds available.

UMHC reserves the right to reject any and all bids, accept any bid it deems to be in its best interest, waive any informalities in bids submitted and waive minor discrepancies in bidding procedures.

UMHC reserves the right to check references and investigate the prior performance of all contractors bidding on UMHC work. Award may be made to a primary and secondary contractor (2) at UMHC's discretion.

C. Prevailing Wage

Any construction contract or any purchase order issued by the University of Minnesota Hospital and Clinic (UMHC) that involves installation furnished by the vendor, contractor or subcontractor must adhere to the following policy regarding Prevailing Wage Rates:

RESOLVED, effective with bids let from and after this date, all contracts, the nature of which calls for the construction, alteration, or repairing of University buildings or other major structures, and which exceed \$2,500.00 in total costs shall require the contractor and his subcontractor to pay to their respective laborers and mechanics employed directly on work site at least the wage rate then prevailing in the area of the project. Prevailing wage shall mean the wage paid to the largest number of those employed in the same class of labor in the labor market area, as determined by the appropriate UMHC officer.

5/18/93

DRAFT POLICY

BOARD OF GOVERNORS POLICY

Adopted:
Revisions Approved:

SUBJECT: CONSTRUCTION AND REMODELING OVER \$100,000

I. POLICY

UMHC is committed to maintain high quality, up to date facilities. Toward this end, construction and remodeling projects exceeding \$100,000 in cost will be competitively bid under normal circumstances. In extraordinary circumstances the General Director may initiate a "quick bid" process.

II. PROCEDURE

A. Normal Bid Process

1. Normal projects exceeding \$100,000 will be advertised for competitive bidding in the "Dodge Report", "The Construction Market Data" and the "National Association of Minority Contractors".
2. The normal bid period will be at least 15 working days.
3. All bidders will be required to provide the following information:
 - A. Proof that company is licensed to do business in the State of Minnesota as a general contractor.
 - B. Documentation showing the company has had a minimum of five years health care related experience as a general contractor within the confines of the seven (7) county metro area.
 - C. Business references where a variety of construction work of a similar nature and magnitude in a health care facility has been done.
 - D. Names and job titles full time employees key to fulfilling this contract.

E. Upon execution of a contract, a list of personnel showing titles and a twenty-four (24) hour phone contract for emergency work.

4. Bids will be received, opened, reviewed for conformance and tabulation by the Director of Hospital Materials Management or designee.

B. Quick Bid Process

1. The quick bid process may be used to accomplish extremely urgent projects less than \$750,000 if approved by the General Director.

2. Two or more contractors will be invited to attend a walk through and information session on the quick bid project.

3. Contractors will have at least 5 working days to submit bids.

4. Quick bid projects will not be advertised.

5. All bidders will be required to provide the following information:

a. Proof that company is licensed to do business in the State of Minnesota as a general contractor.

b. Documentation showing the company has had a minimum of five years health care related experience as a general contractor within the confines of the seven (7) county metro area.

c. Business references where a variety of construction work of a similar nature and magnitude in a health care facility has been done.

d. Names and job titles full time employees key to fulfilling this contract.

e. Upon execution of a contract, a list of personnel showing titles and a twenty-four (24) hour phone contract for emergency work.

6. Bids will be received, opened, reviewed for conformance and tabulation by the Director of Hospital Materials Management or designee.

C. Selection Criteria

UMHC will award the contract to the contractor submitting the bid determined to be in the best interests of the Hospital, provided the bid has been submitted in accordance with the bidding requirements, is judged to be reasonable, and does not exceed the funds available.

UMHC reserves the right to reject any and all bids, accept any bid it deems to be in its best interest, waive any informalities in bids submitted and waive minor discrepancies in bidding procedures.

UMHC reserves the right to check references and investigate the prior performance of all contractor bidding on UMHC work.

D. PREVAILING WAGE

Any construction contract or any purchase order issued by the University of Minnesota Hospital and Clinic (UMHC) that involves installation furnished by the vendor, contractor or subcontractor must adhere to the following policy regarding Prevailing Wage Rates.

RESOLVED, effective with bids let from and after this date, all contracts, the nature of which calls for the construction, alteration, or repairing of University buildings or other major structures, and which exceed \$2,500.00 in total costs shall require the contractor and his subcontractor to pay to their respective laborers and mechanics employed directly on work site at least the wage rate then prevailing in the area of the project. Prevailing wage shall mean the wage paid to the largest number of those employed in the same class of labor in the labor market area, as determined by the appropriate UMHC officer.

Draft Policy

BOARD OF GOVERNORS POLICY

Adopted:

Revisions Approved:

SUBJECT: Lending to Outside Entities

I. POLICY

The University of Minnesota Hospital and Clinic (UMHC) is not established for the purpose of lending money. However, there may be instances where it is prudent for UMHC to make a loan(s) to an outside entity whose activity directly or indirectly impacts UMHC. UMHC may make loans to entities that are:

- (1) wholly owned subsidiaries of UMHC,
- (2) departments of the University of Minnesota, or
- (3) legal entities in which UMHC has an ownership position.

The purpose of all loans must be consistent with UMHC's not-for-profit mission.

II. PROCEDURE

A. Approval:

1. Loans to outside entities may be made by UMHC's Chief Financial Officer, with the approval of UMHC's General Director, up to an aggregate amount of \$300,000. If the loan(s) to an outside entity is for an amount greater than \$300,000 but less than \$750,000 the loan will be taken to the Board of Governor's Finance, Planning and Development Committee for information. Loans to outside entities of \$750,000 or more, singly or in aggregate (in a fiscal year) will be brought to the Board of Governor's Finance, Planning and Development Committee for prior approval.

B. Documentation:

2. All loans will be documented with:
 - a. a signed agreement specifying terms and conditions and
 - b. a payment schedule that identifies the date(s) of principal and interest payments. UMHC will charge as an interest rate an amount no less than its cost of variable rate debt, plus a fee amount appropriate to cover the handling and administration of the loan. In no case will the fee be less than 50 basis points.

Draft Policy

BOARD OF GOVERNORS POLICY

Adopted:

Revisions Approved:

SUBJECT: Sign-off on Formation of New Corporate Entity

I. POLICY

- A. From time to time, for the University of Minnesota Hospital and Clinic (UMHC) to carry out its mission of education, research and patient care, it may be appropriate for UMHC to establish new legal entities. A new legal entity formed by UMHC may be established as a for-profit, or not-for-profit corporation pursuant to the activities to be conducted by such entity. All new legal entities formed by UMHC will be established in accord with Minnesota state laws.

II. PROCEDURE

- B. The formation of a new corporate entity, either as a for-profit or as a not-for-profit corporation within the State of Minnesota, will be done only with the express authorization and approval the University of Minnesota Hospital and Clinic Board of Governors.

Draft Policy

BOARD OF GOVERNORS POLICY

Adopted:

Revisions Approved:

SUBJECT: Movement of Assets Out of UMHC Into New Corporate Structure

I. POLICY

- A. Where the University of Minnesota Hospital and Clinic (UMHC) has formed a new corporate entity, it may be necessary and appropriate to transfer existing assets from UMHC to the new entity. The assets being transferred would be only those assets that relate specifically to the purpose and operation of the new entity. The purposes of all transfers must be consistent with UMHC's not-for-profit mission.

II. PROCEDURE

- A. The transfer of specific assets from UMHC to any corporate entity formed by UMHC will be done only with the express authorization and approval of the University of Minnesota Hospital and Clinic Board of Governors.

Draft Policy

BOARD OF GOVERNORS POLICY

Adopted:

Revisions Approved:

SUBJECT: Signature Authority for New UMHC Affiliated Corporate Structures

I. POLICY

Where the University of Minnesota Hospital and Clinic (UMHC) has formed a new corporate entity, and where UMHC may appoint members to The Board of Directors of the new entity, The Board of Governors will appoint members of the new Board and delegate the appropriate level of authority to those individuals to reasonably perform their delegated functions. From time to time there will be situations that will require both a UMHC authorized signature and a signature on behalf of the outside entity. In order to avoid any perception of conflict of interest no single individual may sign for both organizations. To the extent that this creates a situation where a UMHC executive may not permissably sign a document on behalf of UMHC, the Chairperson of the Finance, Planning and Development Committee is authorized to sign the appropriate documents on behalf of UMHC.

Draft Policy

BOARD OF GOVERNORS POLICY

Adopted:

Revisions Approved:

SUBJECT: UMHC Investment in Non-University Investment Pools

I. POLICY

From time to time, for the University of Minnesota Hospital and Clinic (UMHC) to carry out its mission of education, research and patient care, it may be appropriate for UMHC to invest in areas that are non-traditional investments, such as research project funding. The purposes of these investments must be consistent with UMHC's not-for-profit mission.

II. PROCEDURE

The investment by UMHC in any non-traditional University of Minnesota investment pool requires the express authorization and approval of the University of Minnesota Hospital and Clinic Board of Governors.

UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

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

May 26, 1993

To: Members, Finance, Planning and Development Committee
Members, Board of Governors

From: Gregory W. Hart

Subject: 1993-94 Budget Approval

Attached is the same packet of information that was presented last month relative to the proposed budget for fiscal year 1993-94. There has been no new information available in the past month which would cause us to change any of the major assumptions in the proposed budget. We continue to recommend a 0% price increase for the next fiscal year.

Your approval of the recommended budget is requested this month. We will then take the proposed budget to the Board of Regents for their review and approval in June and July.

Thank you for your guidance and direction as we have constructed this budget proposal.

GWH:bb

UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

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

April 28, 1993

To: Members, Board of Governors and
Finance, Planning and Development Committee

From: Greg Hart
General Director

Subject: 1993-94 Operating Budget for The University
of Minnesota Hospital and Clinic

Enclosed for your review are the operating budget schedules for the 1993-94 fiscal year. As in the past, these budget projections are the result of a budget process which has involved all levels of management preparing a projection of activity, costs, revenue deductions, and reserve and capital needs required to operate The University of Minnesota Hospital and Clinic in fiscal year 1993-94 and in later years.

The 1993-94 budget is essentially a byproduct of our strategic planning efforts of the last fourteen months. The two most essential elements of the 1993-94 budget are (1), a break-even operating margin and (2), in excess of \$30 million in expense reductions from the 1991-92 expense base.

We believe that the expense reductions that have been incorporated in the budget are realistic targets for 1993-94 but we will continue to move forward towards our \$45 million cost reduction targets by June 30, 1995.

We have assumed a reduction of \$147,000 in state appropriations and we have concurrently reduced our educational funding by \$200,000.

During the 1992-93 budget process, The University Central Administration assured you that a procedure would be in place for the 1993-94 fiscal year to charge UMHC for its own fringe benefit costs rather than using an allocation system. This has been achieved with an ensuing savings of \$2.5 million.

Under the assumptions that are outlined in the attached schedules, UMHC's overall margin for 1993-94 will be \$9,339 million.

I believe this is a major step toward achieving our strategic planning objection and I am grateful to our staff for their effort in achieving this objective.

**UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BUDGET LETTER
1993-94 BUDGET**

The 1993-94 Budget has been developed with the following set of assumptions:

1992-93 Budget Base

The current experience in each category was used as the starting point in budgeting for fiscal year 1993-94. As described below and shown in the attached schedules, forecast admissions, patient days, outpatient encounters, expenses, revenues, and revenue deductions have been based on current year experience. Current year experience has then been adjusted for changes in projected volume, mix, and intensity of services, for new and pending reimbursement regulations, and for reductions in costs identified in Phase I of the Strategic Planning process. The following are general descriptions of how the major elements in the 1993-94 budget were projected:

- **Demand Analysis**

For the 1992-93 fiscal year we had developed a budget of 17,079 admissions and 136,510 patient days. Using our actual experience through January 1993, we are projecting 17,738 admissions and 133,017 patient days. The increase in admission levels occurred most significantly in Family Practice, Gynecology, Medicine, Child Psychiatry, and Surgery. The 2.6% decrease in patient days reflects our decrease in the overall average length of stay from 7.8 days to 7.5.

The 1993-94 inpatient census projections indicate demand remaining nearly constant. Anticipated clinical staff changes will cause slight fluctuations in Gynecology and Surgery. Inpatient census for 1993-94 is expected to be in the mid 17,000 range. For the purposes of calculating our budget, 17,640 admissions and 131,400 patient days were used.

For the 1992-93 fiscal year we had developed a budget of 352,325 outpatient encounters. Based on actual January 1993, volumes, we are projecting 390,514 encounters for 1992-93. Approximately 16,000 of these encounters are encounters that we have always experienced but were not reported within the reporting mechanism prior to 1992-93. The new reporting methodology was the result of the redefinition of an outpatient encounter and was made to enhance our service to patients.

We are projecting total outpatient encounters of 398,326 for 1993-94. This represents a 2.0% increase and reflects anticipated growth in almost all clinical service areas as a result of the continued shift of inpatient activity to the outpatient venue. The most significant growth areas are expected to be in Medicine, OB/GYN, Orthopedics, Pediatrics, and Otolaryngology, as well as in CUHCC.

Schedules I, II, and III summarize the demand forecasts for 1992-93 and 1993-94.

- **Patient Charges**

The proposed budget has no price increase for 1993-94. The 1993-94 budget for gross patient charges reflects an overall increase in revenue that is related to the increase in outpatient encounter volumes and the new Services for Teens at Risk clinic. Routine revenue will continue to decline as our patient days continue to decline. Inpatient ancillary revenue is expected to decline by approximately \$4,200,000 as a result of lower utilization of ancillary services but is slightly offset by a \$2,200,000 increase due to utilization of new drugs. Approximately \$900,000 of the reduction in inpatient ancillary service is due to lower inpatient volumes.

- **Deductions from Charges**

The fiscal 1993-94 projection is based on current experience as well as pending legislative and regulatory changes relating to the Medicare and Medicaid Programs. Further change may result from the 1993 Minnesota legislative session, as well as from the White House Task Force on Health Care Reform.

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

Assumptions affecting UMHC payments include the following:

- 1) A 3.0% payment rate increase on the DRG rate, effective October 1, 1993.
- 2) No reduction in the indirect medical education factor and remains at 7.7%.

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

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

Interim payments will continue to be based on the 39 diagnostic categories set up by the State Department of Human Services (DHS). The Legislature is reviewing payment methodologies to increase the number of categories and update the base year to 1988. The data has not been released to update our budget. We are assuming a continued distinction in payment rates between AFDC and non-AFDC patients, with a 5.0% increase in those rates effective July 1, 1993. At the present time we continue to reflect in our budget, a provider surcharge of 1.4% of net patient revenues, excluding Medicare. These assumptions are also subject to legislative change and are being monitored.

- **HMO/PPO Discounts**

The major contracts with HMO's and PPO's include the Blue Cross and Blue Shield AWARE and Blue Plus contracts, Group Health, Med Centers, AFFORDABLE Health Care, Preferred One, and MEDICA. For the budget year we are assuming that our payment to charge ratios will improve, absent a rate increase this year.

- **Other Operating Revenue**

The expected increase in other operating revenue projected for the 1992-93 fiscal year is due primarily in Non Patient Revenue, Professional Fee (Pro Fee) net revenue, and Grant Income. Offsetting some of the increase in other operating revenue is the lower than expected yield on Income from Bond Proceeds and other departmental revenues indirectly related to patient volumes.

It is anticipated that we will see a reduction in hospital appropriations in 1993-94. Grant income received by Community University Health Care Center (CUHCC) is expected to decline, but will be offset by an increase in Non-patient revenue, Reference Lab income, and Pro Fee net revenue. We foresee the startup of a new program to collect interest on overdue patient account balances and have budgeted for this anticipated income.

- **Expenditure Summary**

The expenditure levels have been determined using February 1993, year-to-date actual experience as a basis for projection.

Salaries and Fringe Benefits:

Although no pay plans for employees have been finalized, we incorporated an overall salary and wage increase of 4.0% which appears consistent with increases in the health care community. After specific pay plans have been determined, they will be presented to the Board.

Fringe benefit costs are budgeted to be reduced as a result of agreements made with University administration regarding the distribution of fringe benefit costs. Under the agreements, the Hospital will administer the workers' compensation and unemployment compensation plans and changes will be made in the methodology used for charging the Hospital for the health insurance portion of the fringe benefit package. The changes are expected to reduce fringe benefits by approximately \$2,500,000.

To offset the reduction anticipated in the Hospital appropriation income, we have reduced the amount of support the Hospital provides to Medical School departments in the form of physician contract compensation in 1993-94.

Other Expenses:

Inflationary increases for supplies and expenses are expected to average almost 4.4% in the budget year. In addition to the anticipated inflationary increases, we have included slightly over \$30,000,000 of the anticipated cost savings determined during the Phase I of the Strategic Planning initiative.

The 1992/93 operating expenses are less than anticipated due to lower inpatient volumes, lower utilization of patient supplies and services, and reductions as a result of cost containment initiatives. We are projecting general supplies and expense to be greater than budgeted due to one time costs related to the strategic planning consulting team.

Operating expenses will continue to decline in 1993-94 with some increases expected for new drugs, inflationary increases in laundry and linen and raw food, and the increase in depreciation as a result of our capital budget expenditures. We will be realizing the annualized impact of the Minnesota Care tax in 1993-94. Insurance expense will decline significantly due to an expected \$1,500,000 dividend distribution that will offset the general and professional liability premium expense. Interest expense will continue to decline in 1993-94 as a result of the debt swapping that took place between the Hospital and the University during 1992-93.

- **Non-Operating Revenue and Expense**

An overall increase in non-operating revenue is projected for the 1992-93 fiscal year. The principal balance in reserves is higher than anticipated primarily due to the receivable improvement program, resulting in greater than anticipated investment income. The decrease in earnings on the investments held by the trustee is due to a lower than anticipated yield on those investments. The increase in other investment income is due our investment in Interstate Medical Center.

In the budget year 1993-94 we are expecting an overall decrease in non-operating revenue of \$40,000. We're assuming an increase in investment income from our equity in Interstate Medical Center, however, we're budgeting reductions in the interest earned on our reserves and investments held by the trustee. Although we anticipate earning a weighted effective rate of 5.2% on the cash reserves, we expect the average cash balance of our reserves to decline in relation to our planned capital expenditures. The reduction in the investment income from trustee held assets is the result of a lower yield expected on those investments.

Costs associated with program development are presented as non-operating expenses. Costs during 1992-93 are those expended on the antibody and immunotoxin laboratory facility and the bone marrow stem cell product. The stem cell project will continue in 1993-94. Continued support for the immunotoxin program is currently being studied but is not assumed in our budget projections.

Schedule IV represents a comparison of the 1992-93 and 1993-94 detailed Statement of Operations. Schedule V is the Comparative Statement of Operations and Operating Cash Flow and summarizes our projected cash position for 1993-94 fiscal year.

Capital Expenditures

Capital expenditures provided from operating cash flows in 1993-94 for recurring equipment replacement and minor remodeling will be \$8,800,000. In addition, \$6,899,000 will be spent for debt service on equipment and the bonds, and capital lease payments.

In addition to those capital expenditures provided from operating cash flow, we are projecting that we will spend \$25,022,000 from Hospital reserves. Within this total is \$9,400,000 related to the Renewal Project Phase II, \$1,568,000 for the completion of other projects that have received Board of Governors approval (Cancer Center support and equity support Interstate Medical Center), and \$14,054,000 for equipment and renovation projects that have yet to be brought to the Board for approval (Sports Medicine expansion, computer upgrades, Heart Cath expansion, CT scanner replacement, Neuroradiology upgrade, Cardiovascular Surgery replacement, and NICU Fairview remodeling).

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
 FOR FISCAL YEARS 1992/93 AND 1993/94
 COMPARATIVE DEMAND ANALYSIS
 INPATIENT ADMISSIONS

SCHEDULE I

	1992/93 PLANNED ADMITS	1992/93 PROJECTED ADMITS	1993/94 BUDGET ADMITS
Anesthesiology	4	2	2
Clinical Research	266	323	323
Dentistry	117	88	88
Dermatology	16	4	4
Family Practice	121	274	274
Gynecology	1,115	1,260	1,332
Medicine	4,172	4,496	4,496
Newborn	336	343	343
Neurology	360	426	426
Neurosurgery	1,240	1,180	1,180
Obstetrics	494	494	494
Ophthalmology	352	344	344
Orthopedics	1,196	1,062	1,062
Otolaryngology	408	341	341
Pediatrics	2,877	2,835	2,835
PM&R	182	198	198
Psychiatry - Adult	717	727	727
Psychiatry - Child	70	114	114
Radiation Therapy	2	0	0
Radiology	15	52	52
Surgery	2,482	2,765	2,595
Urology	537	410	410
Total Hospital	<u>17,079</u>	<u>17,738</u>	<u>17,640</u>

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
 FOR FISCAL YEARS 1992/93 AND 1993/94
 COMPARATIVE DEMAND ANALYSIS
 PATIENT DAYS

SCHEDULE II

	1992/93 PLANNED DAYS	1992/93 PROJECTED DAYS	1993/94 BUDGET DAYS
Anesthesiology	11	5	5
Clinical Research	862	1,035	1,035
Dentistry	153	152	152
Dermatology	81	22	22
Family Practice	349	1,145	1,145
Gynecology	5,626	6,255	6,471
Medicine	32,231	30,967	30,967
Newborn	653	659	659
Neurology	2,989	2,452	2,452
Neurosurgery	7,709	6,833	6,833
Obstetrics	1,566	1,650	1,650
Ophthalmology	969	732	732
Orthopedics	6,878	5,560	5,560
Otolaryngology	1,583	1,747	1,747
Pediatrics	28,492	26,248	26,248
PM&R	3,510	3,958	3,958
Psychiatry - Adult	11,125	10,220	10,220
Psychiatry - Child	2,777	3,601	3,601
Radiation Therapy	1	0	0
Radiology	14	98	98
Surgery	26,403	27,786	25,953
Urology	2,528	1,892	1,892
Total Hospital	136,510	133,017	131,400

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
 FOR FISCAL YEARS 1992/93 AND 1993/94
 COMPARATIVE DEMAND ANALYSIS
 OUTPATIENT ENCOUNTERS

SCHEDULE III

	<u>1992/93 PLANNED ENCOUNTERS</u>	<u>1992/93 PROJECTED ENCOUNTERS</u>	<u>1993/94 BUDGET ENCOUNTERS</u>
Clinic Visits	244,039	275,628 *	281,866
Emergency Room Visits	21,800	21,595	22,027
Radiation Therapy Visits	15,240	13,714	13,714
Ambulatory Surgery Visits	<u>3,746</u>	<u>4,301</u>	<u>4,301</u>
Subtotal	284,825	315,238	321,908
Community University Health Care Center & Health ETC	54,800	59,474	60,366
Home Health	<u>12,700</u>	<u>15,802</u>	<u>16,052</u>
Total Encounters	<u><u>352,325</u></u>	<u><u>390,514 *</u></u>	<u><u>398,326</u></u>

* Approximately 16,000 encounters are not new but being reported in 1992-93 for the first time.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
FOR FISCAL YEARS 1992/93 AND 1993/94
STATEMENT OF OPERATIONS

SCHEDULE IV

	1991/92 ACTUAL	1992/93 BOARD BUDGET	1992/93 SEASONALIZED PROJECTIONS	VAR	% VAR	1993/94 BUDGET	CHANGE	% CHANGE
PATIENT CARE CHARGES								
ROUTINE	101,726,968	\$106,068,000	\$104,616,000	(\$1,452,000)	-1.4%	\$103,740,000	(\$876,000)	-0.8%
INPATIENT ANCILLARY	181,952,420	194,272,000	187,204,000	(\$7,068,000)	-3.6%	184,309,000	(\$2,895,000)	-1.5%
OUTPATIENT ANCILLARY	86,827,491	81,632,000	91,876,000	10,244,000	12.5%	95,900,000	4,024,000	4.4%
GROSS CHARGES	\$370,506,879	\$381,972,000	\$383,696,000	\$1,724,000	0.5%	\$383,949,000	\$253,000	0.1%
DEDUCTIONS FROM CHARGES								
BILLING ADJUSTMENTS	\$6,911,547	\$6,783,000	\$9,304,000	\$2,521,000	37.2%	\$7,812,000	(\$1,492,000)	-16.0%
CONTRACTS	8,620,884	8,647,000	8,858,000	211,000	2.4%	8,865,000	7,000	0.1%
HMO/PPO DISCOUNTS	29,456,337	28,979,000	32,829,000	3,850,000	13.3%	37,400,000	4,571,000	13.9%
GOVERNMENTAL CONTRACT ADJUST	49,004,835	53,027,000	55,726,000	2,699,000	5.1%	54,011,000	(1,715,000)	-3.1%
CHARITABLE CARE	2,105,712	1,476,000	1,532,000	56,000	3.8%	1,534,000	2,000	0.1%
TOTAL DEDUCTIONS	\$96,099,315	\$98,912,000	\$108,249,000	\$9,337,000	9.4%	\$109,622,000	\$1,373,000	1.3%
OTHER OPERATING REVENUE								
APPROPRIATIONS & SUPPORT	\$13,611,099	\$15,516,000	\$15,469,000	(\$47,000)	-0.3%	\$15,369,000	(\$100,000)	-0.6%
FOOD SERVICES	1,701,928	1,672,000	1,576,000	(96,000)	-5.7%	1,579,000	3,000	0.2%
PARKING SERVICES	949,539	1,008,000	941,000	(67,000)	-6.6%	941,000	0	0.0%
DEPARTMENT NON-PATIENT	465,117	391,000	588,000	197,000	50.4%	817,000	229,000	38.9%
GRANT INCOME	1,814,824	1,838,000	2,050,000	212,000	11.5%	1,810,000	(240,000)	-11.7%
REFERENCE LAB INCOME	2,776,112	3,052,000	3,043,000	(9,000)	-0.3%	3,158,000	115,000	3.8%
PRO FEES--NET REVENUE	1,885,177	2,012,000	2,314,000	302,000	15.0%	2,329,000	15,000	0.6%
SILVER SALVAGE	12,434	14,000	13,000	(1,000)	-7.1%	13,000	0	0.0%
INCOME FROM BOND PROCEEDS	1,957,245	2,008,000	1,593,000	(415,000)	-20.7%	1,493,000	(100,000)	-6.3%
INTEREST ON PATIENT RECEIVABLES			0	0	0.0%	275,000	275,000	100.0%
DONATIONS	38,471	0	53,000	53,000	100.0%	0	(53,000)	
TOTAL OTHER REVENUE	\$25,211,946	\$27,511,000	\$27,640,000	\$129,000	0.5%	\$27,784,000	\$144,000	0.5%
TOTAL REVENUE FROM OPERATIONS	\$299,619,510	\$310,571,000	\$303,087,000	(\$7,484,000)	-2.4%	\$302,111,000	(\$976,000)	-0.3%
EXPENDITURES								
SALARIES	\$123,183,770	\$121,561,000	\$123,028,000	\$1,467,000	1.2%	\$120,996,000	(\$2,032,000)	-1.7%
FRINGE BENEFITS	29,669,415	31,079,000	31,836,000	757,000	2.4%	28,326,000	(3,510,000)	-11.0%
ACADEMIC CONTRACTS	1,181,115	1,181,000	1,181,000	0	0.0%	1,181,000	0	0.0%
RESIDENT CONTRACTS	9,472,801	9,964,000	9,940,000	(24,000)	-0.2%	9,873,000	(67,000)	-0.7%
PHYSICIAN/CONTRACT COMP	9,356,915	8,916,000	9,134,000	218,000	2.4%	8,520,000	(614,000)	-6.7%
TOTAL SALARY, F.B., & FEES	172,864,016	172,701,000	175,119,000	2,418,000	1.4%	168,896,000	(6,223,000)	-3.6%
LAUNDRY & LINEN	2,123,579	2,200,000	2,061,000	(139,000)	-6.3%	2,146,000	85,000	4.1%
RAW FOOD	1,791,352	1,839,000	1,728,000	(111,000)	-6.0%	1,761,000	33,000	1.9%
DRUGS	23,074,248	27,987,000	24,052,000	(3,935,000)	-14.1%	25,299,000	1,247,000	5.2%
BLOOD & BLOOD DERIVATIVES	11,610,800	12,294,000	10,284,000	(2,010,000)	-16.3%	9,682,000	(602,000)	-5.9%
MEDICAL SUPPLIES & SERVICES	30,303,939	29,345,000	29,165,000	(180,000)	-0.6%	28,369,000	(796,000)	-2.7%
UTILITIES	6,609,745	6,843,000	6,964,000	121,000	1.8%	7,729,000	765,000	11.0%
INSURANCE	2,028,406	2,104,000	1,842,000	(262,000)	-12.5%	166,000	(1,676,000)	-91.0%
RENTAL	2,467,257	2,344,000	2,339,000	(5,000)	-0.2%	1,560,000	(779,000)	-33.3%
MAINTENANCE & REPAIR	5,602,299	5,455,000	4,799,000	(656,000)	-12.0%	4,322,000	(477,000)	-9.9%
NET LOSS ON DISPOSAL OF ASSETS	(699)	18,000	60,000	42,000	233.3%	20,000	(40,000)	-66.7%
CAMPUS ADMINISTRATION EXPENSE	311,000	327,000	327,000	0	0.0%	343,000	16,000	4.9%
DEPRECIATION	20,126,280	18,942,000	18,340,000	(602,000)	-3.2%	19,844,000	1,504,000	8.2%
INTEREST	11,767,616	10,107,000	9,938,000	(169,000)	-1.7%	9,568,000	(370,000)	-3.7%
PROVISION FOR UNCOLLECTABLES	1,422,083	3,298,000	2,754,000	(544,000)	-16.5%	3,018,000	264,000	9.6%
MINNESOTA CARE TAX	0	1,800,000	1,800,000	0	0.0%	3,600,000	1,800,000	100.0%
GENERAL SUPPLIES & EXPENSE	14,812,653	15,553,000	16,837,000	1,284,000	8.3%	15,788,000	(1,049,000)	-6.2%
TOTAL EXPENDITURES	\$306,914,574	\$313,157,000	\$308,409,000	(\$4,748,000)	-1.5%	\$302,111,000	(\$6,298,000)	-2.0%
NET REVENUE FROM OPERATIONS	(\$7,295,064)	(\$2,586,000)	(\$5,322,000)	(\$2,736,000)	105.8%	\$0 *	\$5,322,000	
NON-OPERATING REVENUE AND EXPENSE								
INTEREST INCOME ON RESERVES	\$7,632,534	\$7,651,000	\$8,409,000	\$758,000	9.9%	\$8,068,000	(\$341,000)	-4.1%
INVESTMENT INCOME HELD BY TRUSTEE	1,383,940	1,287,000	1,255,000	(32,000)	-2.5%	1,137,000	(118,000)	-9.4%
PROGRAM DEVELOPMENT EXPENSE			(910,000)	(910,000)		(665,000)	245,000	-26.9%
OTHER INVESTMENT INCOME	237,196	435,000	605,000	170,000	39.1%	799,000	194,000	32.1%
TOTAL NON-OPERATING REVENUE	\$9,253,670	\$9,373,000	\$9,359,000	(\$14,000)	-0.1%	\$9,339,000	(\$20,000)	-0.2%
REVENUE OVER/(UNDER) EXPENSE	\$1,958,606	\$6,787,000	\$4,037,000	(\$2,750,000)		\$9,339,000	\$5,302,000	

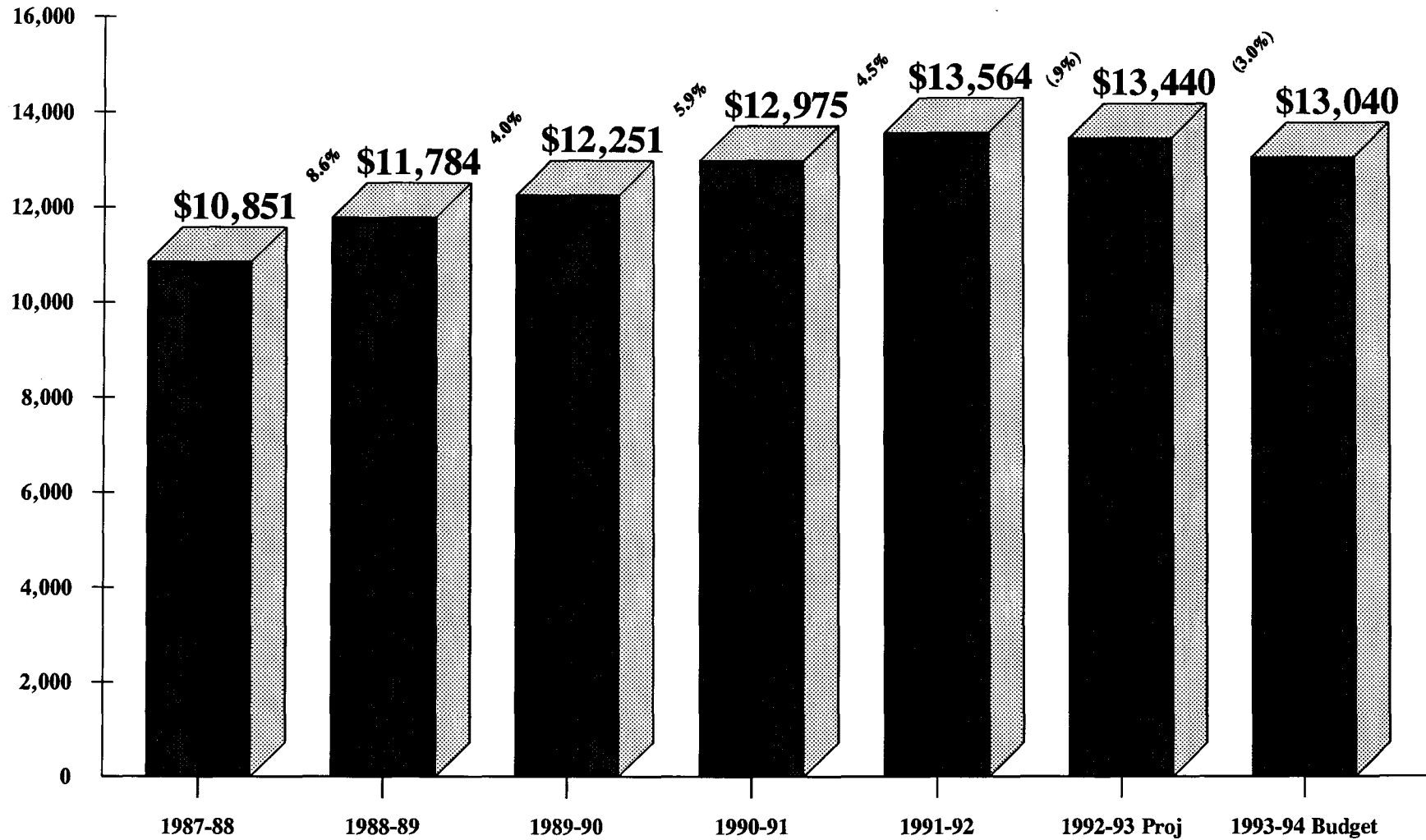
* This represents an operating margin that we believe is realistic.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
 FOR FISCAL YEARS 1992/93 AND 1993/94
 SUMMARY STATEMENT OF OPERATIONS AND DETAILED CASH FLOW

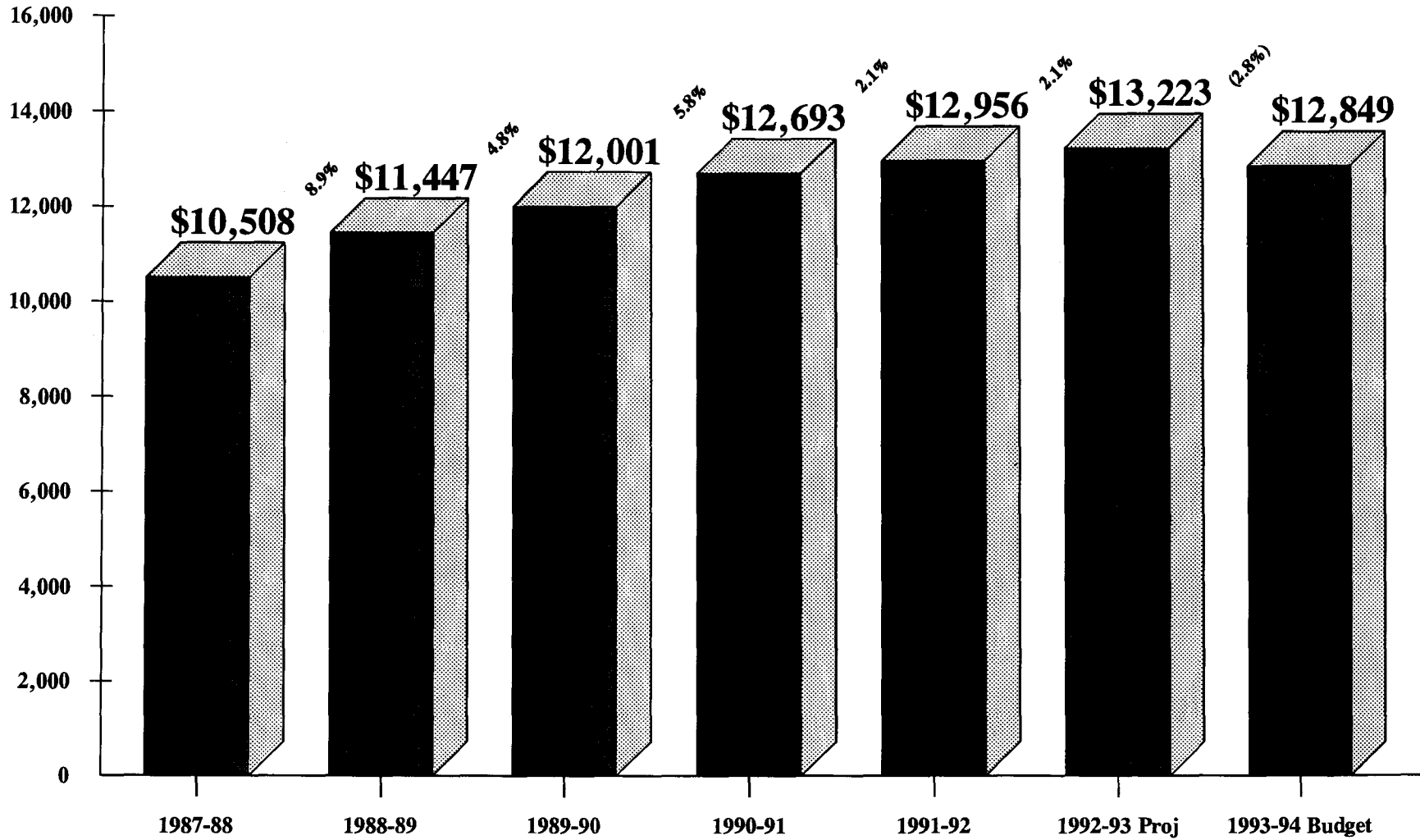
SCHEDULE V

	1992/93 BOARD BUDGET	1992/93 SEASONALIZED PROJECTIONS	VARIANCE	PERCENT VARIANCE	1993/94 BUDGET	CHANGE	PERCENT CHANGE
Gross Patient Charges	\$381,972,000	\$383,696,000	\$1,724,000	0.5%	\$383,949,000	\$253,000	0.1%
Deductions from Charges	98,912,000	108,249,000	9,337,000	9.4%	109,622,000	1,373,000	1.3%
Other Operating Revenue	27,511,000	27,640,000	129,000	0.5%	27,784,000	144,000	0.5%
Total Operating Revenue	\$310,571,000	\$303,087,000	(\$7,484,000)	-2.4%	\$302,111,000	(\$976,000)	-0.3%
Expenditures							
Salaries	\$121,561,000	\$123,028,000	\$1,467,000	1.2%	\$120,996,000	(2,032,000)	-1.7%
Fringe Benefits	31,079,000	31,836,000	757,000	2.4%	28,326,000	(3,510,000)	-11.0%
Contract Compensation	20,061,000	20,255,000	194,000	1.0%	19,574,000	(681,000)	-3.4%
Medical Supplies, Drugs, Blood	69,626,000	63,501,000	(6,125,000)	-8.8%	63,350,000	(151,000)	-0.2%
Campus Administration Expense	327,000	327,000	0	0.0%	343,000	16,000	4.9%
Depreciation	18,942,000	18,340,000	(602,000)	-3.2%	19,844,000	1,504,000	8.2%
Provisions for Uncollectables	3,298,000	2,754,000	(544,000)	-16.5%	3,018,000	264,000	9.6%
Minnesota Care Tax	1,800,000	1,800,000	0	0.0%	3,600,000	1,800,000	100.0%
General Supplies & Expense	46,463,000	46,568,000	105,000	0.2%	43,060,000	(3,508,000)	-7.5%
Total Expenditures	\$313,157,000	\$308,409,000	(\$4,748,000)	-1.5%	\$302,111,000	(6,298,000)	-2.0%
Net Revenue from Operations	(\$2,586,000)	(\$5,322,000)	(\$2,736,000)	105.8%	\$0	5,322,000	-100.0%
Total Non-Operating Revenue							
Investment Income	9,373,000	9,359,000	(14,000)	-0.1%	9,339,000	(20,000)	-0.2%
Total Non-Operating Revenues	\$9,373,000	\$9,359,000	(\$14,000)	-0.1%	\$9,339,000	(20,000)	-0.2%
Revenue Over/-Under Expenses	\$6,787,000	\$4,037,000	(\$2,750,000)		\$9,339,000	5,302,000	
Add Non-Cash Outlays:							
Depreciation	18,942,000	18,340,000			19,844,000		
University Support	227,000	227,000			243,000		
Decrease in Accounts Receivables	1,861,000	14,148,000			1,762,000		
Net Decrease to Working Capital	(276,000)	(3,067,000)			(1,875,000)		
Total Funds Provided	27,541,000	33,685,000			29,313,000		
Funds Applied:							
Capital Expenditures:							
Principal Payments on Debt and Equipment	3,336,000	6,760,000			6,899,000		
Recurring Equipment and Renovation	8,200,000	8,200,000			8,800,000		
Interest Income Committed to Capital Plan	7,651,000	8,409,000			8,068,000		
Total Funds Applied	19,187,000	23,369,000			23,767,000		
Total Cash Available from Operations	\$8,354,000	\$10,316,000			\$5,546,000		

University of Minnesota Hospital and Clinic Inpatient Cost per Admission 1987-88 through 1993-94



University of Minnesota Hospital and Clinic Cost per Adjusted Admission 1987-88 through 1993-94



UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

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

May 19, 1993

TO: UMHC Finance, Planning and Development Committee

FROM: Greg Hart

Attached is a proposal to purchase a new computer system for outpatient registration, scheduling, and physicians' billing. We will be presenting this for information this month and will return next month for approval to spend \$1,374,700.

This cost will be recovered through operating efficiencies in the clinics and through a seven year lease arrangement with the University of Minnesota Clinical Associates (UMCA).

The proposal is being presented to the UMCA Board of Directors in the near future for their approval. UMHC Board of Governors approval will be contingent on this.

Mary Ellen Wells and Al Dees will present this to you next week and answer any questions you may have at that time. Thank you.

The University of Minnesota Hospital and Clinic Registration and Scheduling System Proposal

Summary

Nine months ago, The University of Minnesota Hospital and Clinic (UMHC) and University of Minnesota Clinical Associates (UMCA) appointed a joint task force to 1) review and recommend changes to the ambulatory care scheduling and registration process and 2) evaluate and recommend a new automated outpatient scheduling system. Since that time, the task force has developed a new, streamlined registration process that is being piloted in the Medicine Clinic and will soon be expanded to other clinics. In addition, the task force recommended the purchase of registration and scheduling software packages and the requisite computer hardware from IDX Corporation.

UMCA and four medical departments are currently utilizing other IDX software for professional fee billing through a timeshare contract with IDX. Due to the substantial savings possible, the task force has also recommended that UMHC finance the purchase of this billing software and the additional hardware to enable the transfer of support for these functions to an on campus location. It is proposed that UMHC be reimbursed for the costs of this purchase and support through a seven year lease with UMCA.

Background: The Current Appointment and Registration System

UMHC's current system was developed over 15 years ago. It is inefficient, uses an inordinate amount of personnel resources, and results in poor patient satisfaction and service. The major deficiencies of the system include:

- The system lists appointment dates and times but does not maintain physician or clinic schedules. As a result, clinics and departments must maintain duplicative, manual schedules.
- The system does not interface with Radiology or Laboratory Services. Therefore, ancillary tests that occur as part of a clinic visit are scheduled manually or not at all.
- Clinics and medical staff offices have no efficient method of sharing appointment information. Therefore, each works off blocks of time, often resulting in underbooking or overbooking of clinic sessions and severely limiting physicians' flexibility and availability.

- No interface currently exists between the registration system and the outpatient appointment system. Thus, hospital, clinic, and medical offices rely on paper systems to share a patient's medical, demographic, or insurance information.

IDX Scheduling and Registration Package

The proposed computer system will allow staff to see a physician's complete schedule, allow more efficient access to UMHC's admissions and registration database, and will allow clinic staff to schedule complex ancillary exams through the computer terminal. Medical departments, if they desire, may interface electronically with both the scheduling and registration databases. Key features of the IDX scheduling and registration package are:

- One Scheduling Screen: Within the same screen, several appointments can be scheduled at one time. The user has the ability to view, edit, cancel or automatically reschedule appointments.
- Cyclical Scheduling of Appointments: Weekly, monthly, or on-going treatments are easily accommodated.
- Resource Scheduling: At the time an appointment is made, time required for exam rooms, pieces of equipment, or ancillary staff can be scheduled.
- Provider Schedules: Individual schedules are maintained on-line and accommodate provider preferences such as appointment duration, type of patient, and non-patient time.
- Registration: Existing patient registration updates can be made from scheduling. New patients can be scheduled with minimal registration information, and updated at the patient's convenience.
- Ancillary Appointments: Ancillary procedures can be scheduled through the outpatient scheduling package.
- Reporting: The system provides reports that will enhance clinic efficiencies, ensure that all visits are billed, and can be used by clinic and physician administration to improve clinic management.
- Letters: Features include automatic operation of appointment reminders and letters of thanks to referring physicians.

Implications for UMHC's Strategic Plan

The scheduling and registration system meets both service and cost containment goals of the UMHC Strategic Plan. The on-line scheduling features will streamline clinic activities with a projected savings of \$220,000 in personnel costs once the system is fully implemented. In addition, the system will respond to patient needs and improve service levels in the clinics.

Financial Analysis

Attached is a summary of the costs to UMHC and UMCA for the proposed system. This analysis is based on purchase of all hardware and software by UMHC for a total price of \$1,374,700. Purchase, annual maintenance, and operating costs related to scheduling for all medical departments and registration and professional fee billing functions for UMCA and the four medical departments currently using IDX would be recovered through a 7 year lease agreement with UMCA. The annual lease amount would be \$404,000.

UMHC's portion of the total annualized costs would be \$217,105. This cost is offset by a \$220,000 decrease in personnel costs and operational efficiencies.

PROPOSED PURCHASE
IDX REGISTRATION, SCHEDULING & PHYSICIANS' BILLING SYSTEMS

PURCHASE COST

APPLICATION SOFTWARE (7 Year Licenses)	
Registration	\$97,500
Scheduling	\$150,000
Interfaces to UMHC Systems	
Vendor	\$95,000
Internal	\$50,000
Physicians' Billing Systems (4 pkgs.)	\$345,900

COMPUTER SYSTEM

Processor & Peripherals	\$407,140
Environmental & Utility Software	\$229,160

TOTAL \$1,374,700

Interest @ 6%, 84 months \$312,220

GRAND TOTAL \$1,686,920

ANNUAL OPERATING COST

Purchase Cost over 7 yr. license	\$240,989
Application Software Maintenance	
Registration	\$20,400
Scheduling	\$30,000
Interfaces	\$22,800
Physicians' Billing Systems	\$65,760
Computer System	
Processor & Peripherals	\$40,576
Environmental & Utility Software	\$50,640
Information Systems Staff (3 FTE's)	\$150,000

TOTAL \$621,165

PROPOSED LEASE CHARGE TO UMCA \$404,000

REMAINING COST TO UMHC \$217,165

PROJECTED UMHC COST REDUCTION \$220,000

UMHC GAIN/(LOSS) \$2,835

The University of Minnesota Hospital and Clinic

Board of Governors

Finance, Planning, and Development Committee

Non-Public Meeting

May 26, 1993

In a public meeting of the Finance, Planning, and Development Committee of the Board of Governors of the University of Minnesota Hospital and Clinic a motion was adopted to hold a non-public session of the Committee, pursuant to Minnesota State Statute 471.705, for purposes of discussing attorney client privileged matters. The meeting was called to order at 1:16 p.m.

Finance, Planning and Development Committee members present:
L. Bienias, E. Ciriacy, M. Dougherty, S. Hansen, G. Hart,
N. Johnson, A. Kydd, J. Morrison, R. Paschke

Staff Present: B. Beyer, K. Dunder, S. Lorbiecki, T. Thompson

There were no actions taken by the Finance, Planning and Development Committee.

The meeting was adjourned at 1:42 p.m.

Shannon Lorbiecki
Secretary to the Board of Governors

**THE UNIVERSITY OF MINNESOTA HOSPITAL
AND CLINIC**

BOARD OF GOVERNORS

**FINANCE, PLANNING AND DEVELOPMENT
COMMITTEE**

JUNE 23, 1993

THE UNIVERSITY OF MINNESOTA
BOARD OF GOVERNORS
FINANCE,
PLANNING AND DEVELOPMENT COMMITTEE

Wednesday, May 26, 1993
12:30 - 2:00 p.m.
University Hospital Board Room, 8-106

A G E N D A

- | | |
|---|------------------------------|
| I. Opening of Meeting and Approval of Minutes of Meeting held May 26, 1993 (Approval) pp. 1 - 3 | Nellie Johnson |
| II. May 31, 1993 Financial Statements (Information/Consent) pp. 4 - 10 | Nels Larson |
| III. 1993/1994 Budget (Endorsement) pp. 11 - 14 | Greg Hart |
| IV. Creation of a New Not-For-Profit Corporation by UMHC (Information) pp. 15 - 18 | Clifford Fearing |
| V. Special Capital Project: Registration and Scheduling System (Approval) pp. 19 - 24 | Al Dees/
Mary Ellen Wells |
| V. Riverside OB/NICU Program (Endorsement) (Under Separate Confidential Cover) | Clifford Fearing |
| VI. External Relations Update (Information) | Greg Hart |

* Lunch at 12:00 Noon with Committee meeting at 12:30 p.m.

THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BOARD OF GOVERNORS FINANCE,
PLANNING & DEVELOPMENT COMMITTEE
June 23, 1993

MINUTES

ATTENDANCE:

Members: Leonard Bienias
Edward Ciriacy, M.D.
Michael Dougherty
Stephen Hansen
Greg Hart
Nellie Johnson
Arthur Kydd
John Morrison
Roger Paschke

Guests: Charlie Jones, Board Member

Staff: Beth Beyer
Giles Caver
Al Dees
Joanne Disch
Keith Dunder
Jean Harris, M.D.
Mark Koenig
Nels Larson
Shannon Lorbiecki
Ted Thompson, M.D.
Mary Ellen Wells

CALL TO ORDER:

The meeting of the Finance, Planning & Development Committee was called to order by Nellie Johnson, Committee Chairperson, on May 26, 1993 at 12:11 P.M.

APPROVAL OF THE MINUTES:

The Board of Governors Finance, Planning & Development Committee seconded and passed a motion to approve the Finance, Planning & Development Committee minutes of the April 28, 1993 meeting as written.

APRIL FINANCIAL STATEMENTS:

Mr. Nels Larson reported to the Committee that for the month of April, inpatient admissions totaled 1,515 which was 99 more than budget; average length of stay was 7.1 days; patient days totaled 11,032 which were 51 days below budget.

Outpatient encounters for the month of April totaled 34,930 which was 12.9% more than budgeted volumes. While some of this variance reflects real increases in activity, a portion of it is due to a change in the reporting systems for outpatient encounters.

Mr. Larson indicated that the Hospital's Statement of Operations show revenues being greater than expenses by \$4,034,000 and an unfavorable variance from budget of \$1,295,000. Operating expenditures through April totaled \$257,528,000 and were 1.4% below budgeted levels.

Mr. Larson stated that although UMHC's financial position continues to be positive, it is below budget on a year-to-date basis. The operating position for the month of April however, was both positive and above budgeted levels.

BOARD OF GOVERNORS - DELEGATION OF AUTHORITY POLICIES:

Mr. Keith Dunder presented to the Committee, for approval, a proposed revision to the "Board of Governors Policy on Capital Expenditures", presented proposed guidelines for the Finance, Planning and Development Committee agenda, and several new policies for review and consideration:

1. Purchase or Lease of Real Property
2. Architect Selection
3. Construction and Remodeling Under \$100,000
4. Construction and Remodeling Over \$100,000
5. Lending to Outside Entities
6. Sign-Off on Formation of New Corporate Entity
7. Movement of Assets Out of UMHC Into New Corporate Entity
8. Signature Authority for New UMHC Affiliated Corporate Structures
9. UMHC Investment in Non-University Investment Pools

These policies were discussed in draft form at the April Committee meeting.

The Committee seconded and passed a motion to endorse the Board of Governors Delegation of Authority Policies.

1993/94 BUDGET:

Mr. Greg Hart presented to the Committee, for approval, the fiscal year 1993-94 proposed Budget. He recommends a 0% price increase for the next fiscal year.

The Committee seconded and passed a motion to approve the recommended budget. The Budget will then be brought to the Board of Regents for their review and approval in June and July.

SPECIAL CAPITAL PROJECT: REGISTRATION AND SCHEDULING SYSTEM:

Ms. Mary Ellen Wells and Mr. Al Dees presented to the Committee, for information, the proposal to purchase a new computer system for outpatient registration, scheduling, and physicians' billing. This proposal will return next month for approval to spend \$1,374,700.

This cost will be recovered through operating efficiencies in the clinics and through a seven year lease arrangement with the University of Minnesota Clinical Associates (UMCA).

A motion was seconded and passed to convene a non-public session of the Board of Governors Finance, Planning and Development Committee. A non-public session of the Committee was called at 1:16 p.m. to discuss attorney-client privileged matters. There being no further discussion, the May 26, 1993 meeting was adjourned at 1:10 p.m.

Respectfully submitted,



Beth Beyer
Recording Secretary

UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

Harvard Street at East River Parkway
Minneapolis, MN 55455

June 23, 1993

TO: Board of Governors Finance, Planning and Development Committee

FROM: Clifford P. Fearing

SUBJECT: Report of Operations for the Period
July 1, 1992 through May 31, 1993

The Hospital's operations for the month of May reflect inpatient census to be essentially at budgeted levels and outpatient encounters to be greater than budgeted levels. Average length of stay continues to be lower than anticipated.

INPATIENT CENSUS: For the month of May, inpatient admissions totaled 1,382 which was 5 less than budgeted admissions of 1,387. Our overall average length of stay for the month was 7.2 days. Patient days for May totaled 10,486 and were 607 days below budget. Admissions were over budget in the area of Gynecology, which was offset by Neurosurgery being under budgeted levels.

OUTPATIENT CENSUS: Outpatient encounters (including CUHCC and Home Health) for the month of May totaled 32,108 which was 1,497, or 4.9%, more than budgeted volumes of 30,611. While some of this variance reflects real increases in activity, a portion of it (14,915 YTD) is due to a change in the reporting systems for outpatient encounters. Areas in which encounters were significantly below budget include Emergency Room, Ophthalmology, Medicine, and Radiation Therapy. These unfavorable variances were offset by increases at CUHCC.

To recap our census:

Monthly Data					YTD Data					
91/92	92/93	92/93		%		91/92	92/93	92/93		%
<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>
1,432	1,387	1,382	(5)	(0.4)	Admissions	16,518	15,669	16,382	713	4.6
11,003	11,093	10,486	(607)	(5.5)	Patient Days	128,241	125,601	122,078	(3,523)	(2.8)
7.4	8.0	7.2	(0.8)	(10.0)	Avg Length of Stay	7.8	8.0	7.4	(0.6)	(7.5)
354.9	357.8	338.3	(19.5)	(5.5)	Avg Daily Census	381.7	374.9	364.4	(10.5)	(2.8)
63.3	63.8	60.2	(3.6)	(5.6)	Percent Occupancy	67.4	66.8	64.9	(1.9)	(2.8)
30,356	30,611	32,108	1,497	4.9	Outpt Encounters	320,515	321,650	356,278	34,628	10.8

FINANCIAL OPERATIONS: The Hospital's Statement of Operations shows revenues being greater than expenses by \$4,601,000 and an unfavorable variance of \$1,635,000.

REPORT OF OPERATIONS

May 1993

PAGE 2

FINANCIAL OPERATIONS (continued): Patient care charges through May totaled \$349,113,000, which was 0.3% less than budget. Ancillary revenue was \$1,355,000 (0.01%) over budget and routine revenue was \$2,237,000 (2.3%) under budget. Inpatient revenue averaged \$16,242 per admission compared to the budgeted average of \$17,558. Outpatient revenue per outpatient encounter averaged \$233 per visit compared to the budgeted average of \$233.

Deductions from charges totaled \$96,994,000 which was \$6,364,000 (7.0%) over budgeted deductions of \$90,630,000. The unfavorable variance is due to an increased volume of HMO/PPO patients and higher than anticipated Billing Adjustments. The increase in HMO/PPO volume was attributed to an increase in the Preferred One, Transplant, Affordable, and U-Care patient populations. The Billing Adjustments variance is related to out-of-state welfare and a collective effort to clean up aged accounts receivables.

Operating expenditures through May totaled \$282,047,000 and were \$4,979,000 (1.7%) below budgeted levels of \$287,027,000. The overall favorable variance is due to reduced spending levels in almost all categories of expenses.

At the March Finance, Planning and Development Committee meeting, a proposal was presented, and subsequently approved, to restructure some of UMHC's debt. In the month of May, the Hospital undertook the first step in that process with early defeasance of three of the 1986 term bonds with a face value of \$70,435,000 and an average interest rate of 7.60%. The result of this transaction is to incur a current extraordinary loss of \$7,227,000. The current period loss results from; 1.) the net write off of issuance costs and original issue discount associated with the 1986 term bonds (\$1,793,000); and 2.) having to provide additional cash (\$5,434,000) into the escrow fund to compensate for the difference in interest rates between what the escrow fund will earn and the interest rates on the 1986 bonds. The second step of the approved proposal will be to issue new debt for new capital projects that are on-line in the next two years. The new debt would be 10 year tax exempt bonds with an interest rate of approximately 5.25%. The completion of these transactions will save UMHC approximately \$1.5 million in annual interest expense. The total net present value savings is expected to be about \$7.3 million.

ACCOUNTS RECEIVABLE: The balance in patient accounts receivable as of May 31, 1993, totaled \$55,524,000 and represented 65.7 days of revenue outstanding. The overall decrease in patient receivables in May is 0.3 days. This decrease is due to a collective effort to reduce accounts receivable balances.

CONCLUSION: Our financial position for both the month of May and year-to-date, before the extraordinary item, continues to be positive. Our positive position continues to be due to the increase in both inpatient and outpatient census levels, and to the favorable variance in operating expense.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
SUMMARY STATEMENT OF OPERATIONS
FOR THE PERIOD JULY 1, 1992 TO MAY 31, 1993

	1992-93 <u>Budgeted</u>	1992-93 <u>Actual</u>	Variance Over/(Under) <u>Budget</u>	Variance <u>%</u>
Gross Patient Revenue	\$349,995,000	\$349,113,000	(\$882,000)	-0.3%
Deductions From Revenue	90,630,000	96,994,000	6,364,000	7.0%
Net Patient Service Revenue	259,365,000	252,119,000	(7,246,000)	-2.8%
Other Operating Revenue				
Appropriation & Support	14,223,000	14,176,000	(47,000)	-0.3%
Other Revenue	10,998,000	11,166,000	168,000	1.5%
Total Other Revenue	25,221,000	25,342,000	121,000	0.5%
Total Revenue From Operations	284,586,000	277,461,000	(7,125,000)	-2.5%
Operating Expenses:				
Salaries	111,590,000	113,222,000	1,632,000	1.5%
Fringe Benefits	28,507,000	28,829,000	322,000	1.1%
Contract Compensation	18,389,000	18,670,000	281,000	1.5%
Supplies And Services	67,518,000	61,892,000	(5,626,000)	-8.3%
Utilities And Maintenance	11,552,000	11,506,000	(46,000)	-0.4%
General Supplies & Expense	16,429,000	16,847,000	418,000	2.5%
Insurance	1,914,000	1,634,000	(280,000)	-14.6%
Depreciation & Amortization	17,327,000	16,644,000	(683,000)	-3.9%
Interest	9,278,000	9,073,000	(205,000)	-2.2%
Minnesota Care Tax	1,500,000	1,099,000	(401,000)	-26.7%
Provision For Uncollectibles	3,022,000	2,631,000	(391,000)	-12.9%
Total Operating Expenses	287,026,000	282,047,000	(4,979,000)	-1.7%
Net Revenue From Operations	(2,440,000)	(4,586,000)	(2,146,000)	
Nonoperating Gains: Investment Income	8,676,000	9,187,000	511,000	5.9%
Revenue And Gains In Excess Of Expense Before Extraordinary Item	6,236,000	4,601,000	(1,635,000)	
Extraordinary Gain (Loss)	0	(7,227,000)	(7,227,000)	
Revenue And Gains In Excess Of Expense	<u>\$6,236,000</u>	<u>(\$2,626,000)</u>	<u>(\$8,862,000)</u>	

	1992-93 <u>Budgeted</u>	1992-93 <u>Actual</u>	Variance Over/(Under) <u>Budget</u>	Variance <u>%</u>
Admissions	15,669	16,382	713	4.6%
Patient Days	125,601	122,078	(3,523)	-2.8%
Average Length Of Stay	8.0	7.4	(0.6)	-7.5%
Average Daily Census	374.9	364.4	(10.5)	-2.8%
Percentage Occupancy	66.8	64.9	(1.9)	-2.8%
Outpatient Encounters	321,650	356,278	34,628	10.8%

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BALANCE SHEETS
MAY 31, 1993 AND JUNE 30, 1992

ASSETS	<u>5/31/93</u>	<u>6/30/92</u>	LIABILITIES AND FUND BALANCES	<u>5/31/93</u>	<u>6/30/92</u>
<u>General Funds</u>			<u>General Funds</u>		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$27,051,000	\$44,280,000	Current maturities of long-term debt and capital lease obligation	\$7,503,000	\$7,241,000
Receivables:			Accounts payable	27,526,000	24,910,000
Patient services, net of allowances and uncollectible accounts of \$25,267,000 at May '93 and \$32,575,000 at June '92	55,524,000	70,773,000	Due to third-party payors	15,260,000	14,822,000
State appropriations	1,293,000	1,173,000	Accrued liabilities:		
Other	2,169,000	2,274,000	Salaries, wages and employee benefits	19,942,000	19,931,000
Inventories	5,203,000	5,291,000	Interest	1,381,000	4,700,000
Prepaid expenses and other	850,000	767,000	Construction retainages	21,000	139,000
Total current assets	<u>92,090,000</u>	<u>124,558,000</u>	Total current liabilities	<u>71,633,000</u>	<u>71,743,000</u>
Assets whose use is limited:					
By board for property and equipment replacement and expansion	84,176,000	118,699,000			
Under bond indenture agreement held by trustee	11,545,000	17,612,000			
Total assets whose use is limited	<u>95,721,000</u>	<u>136,311,000</u>			
Property and Equipment, net	151,939,000	156,556,000	Long-term debt and capital lease obligations, less current maturities	86,547,000	162,955,000
Other Assets:					
Long-term portion - promissory note	5,338,000	4,355,000			
Deferred third-party reimbursement	5,127,000	5,738,000			
Deferred financing costs	254,000	925,000			
Other	5,192,000	5,778,000			
Total other assets	<u>15,911,000</u>	<u>16,796,000</u>	Fund Balance	<u>197,481,000</u>	<u>199,523,000</u>
TOTAL ASSETS	<u>\$355,661,000</u>	<u>\$434,221,000</u>	TOTAL LIABILITIES AND FUND BALANCE	<u>\$355,661,000</u>	<u>\$434,221,000</u>
<u>Restricted Funds</u>			Fund Balances:		
Investments	<u>\$8,191,000</u>	<u>\$8,162,000</u>	Endowment funds	\$2,878,000	\$2,776,000
			Specific purpose funds	5,313,000	5,386,000
				<u>\$8,191,000</u>	<u>\$8,162,000</u>

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
STATEMENT OF CASH FLOWS OF GENERAL FUNDS
FOR THE PERIOD JULY 1, 1992 TO MAY 31, 1993

OPERATING ACTIVITIES AND NONOPERATING REVENUES:

Revenue and gain in excess of expenses	<u>\$4,601,000</u>
Adjustments to reconcile revenue and gain in excess of expenses to net cash provided by operating activities and gain:	
Depreciation and amortization	17,375,000
Unreimbursed University general and administrative services	209,000
(Increase) decrease in receivables	15,234,000
(Decrease) increase in accounts payable	2,616,000
(Decrease) increase in net amounts due to third-party payors	437,000
(Decrease) increase in accrued liabilities	(3,426,000)
(Increase) decrease in inventories	88,000
(Increase) decrease in prepaid expenses and other assets	(45,000)
	<hr/>
Total adjustments	<u>32,488,000</u>
	<hr/>
Net cash provided by operating activities and gain	<u><u>\$37,089,000</u></u>

INVESTING ACTIVITIES:

Acquisition of property, plant and equipment	(\$11,341,000)
Cash outflows for acquisition	(1,636,000)
Decrease in assets whose use is limited	<u>40,592,000</u>
Net cash used in investing activities	<u>\$27,615,000</u>

FINANCING ACTIVITIES:

Repayment of long-term debt	(\$6,150,000)
Repayment of notes payable	(540,000)
Funds transferred from other sources	367,000
Defeasance of long-term debt	<u>(75,610,000)</u>
	<hr/>
Decrease in cash and equivalents	(\$17,229,000)
Cash and cash equivalents at June 30, 1992	<u>\$44,280,000</u>
Cash and equivalents at May 31, 1993	<u><u>\$27,051,000</u></u>

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE PERIOD JULY 1, 1992 TO MAY 31, 1993

	<u>General</u>	<u>Donor Restricted Funds</u>	
		<u>Specific</u>	<u>Endowment</u>
Balance at beginning of year	\$199,523,000	\$5,386,000	\$2,776,000
Additions:			
Revenue and gain in excess of expenses	(2,626,000)		
Unreimbursed University general and administrative service	209,000		
Medical School Funding of Stem	166,000		
Adjustment to Shared Building	8,000		
Transfer to finance property and equipment additions	201,000	(201,000)	
Gifts and investment income		443,000	114,000
Deductions:			
Disbursements		(315,000)	(12,000)
 Balance at end of period	 <u>\$197,481,000</u>	 <u>\$5,313,000</u>	 <u>\$2,878,000</u>

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
 ADMISSIONS & AVERAGE LENGTH OF STAY (ALOS) BY SERVICE
 1991/92 AND 1992/93 COMPARISON

CLINICAL SERVICE	ADMISSIONS							AVERAGE LENGTH OF STAY		
	1991/92		1992/93			CHANGE	% CHANGE	1991/92	1992/93	CHANGE
	MAY YTD ACTUAL	MAY YTD BUDGET	MAY YTD ACTUAL	VARIANCE	VARIANCE %	FROM PRIOR YR	FROM PRIOR YR	MAY YTD ALOS	MAY YTD ALOS	
ANESTHESIOLOGY	1	3	2	(1)	-33.3%	1	100.0%	1.5	6.0	4.5
CLINICAL RESEARCH	280	244	333	89	36.5%	53	18.9%	3.1	3.5	0.4
DENTISTRY	3	4	2	(2)	-50.0%	(1)	-33.3%	2.3	0.0	(2.3)
ORAL SURGERY	70	104	68	(36)	-34.6%	(2)	-2.9%	1.5	1.6	0.1
DERMATOLOGY	15	15	2	(13)	-86.7%	(13)	-86.7%	7.3	6.0	(1.3)
FAMILY PRACTICE	116	111	169	58	52.3%	53	45.7%	3.3	4.2	0.9
GYNECOLOGY	1,040	1,023	1,247	224	21.9%	207	19.9%	4.6	4.4	(0.2)
MEDICINE	4,341	3,828	3,970	142	3.7%	(371)	-8.5%	6.4	6.4	0.0
NEWBORN	300	308	312	4	1.3%	12	4.0%	1.9	1.8	(0.1)
NEUROLOGY	334	330	383	53	16.1%	49	14.7%	6.3	5.0	(1.3)
NEUROSURGERY	1,079	1,138	1,049	(89)	-7.8%	(30)	-2.8%	5.7	5.2	(0.5)
OBSTETRICS	469	453	455	2	0.4%	(14)	-3.0%	3.0	3.0	0.0
OPHTHALMOLOGY	359	323	310	(13)	-4.0%	(49)	-13.6%	2.7	2.4	(0.3)
ORTHOPEDICS	1,059	1,097	1,035	(62)	-5.7%	(24)	-2.3%	5.4	4.8	(0.6)
OTOLARYNGOLOGY	348	374	329	(45)	-12.0%	(19)	-5.5%	4.2	4.5	0.3
PEDIATRICS	2,634	2,639	2,718	79	3.0%	84	3.2%	9.0	8.5	(0.5)
PHYSICAL MEDICINE & REHAB	160	167	190	23	13.8%	30	18.8%	18.6	18.5	(0.1)
PSYCHIATRY ADULT	695	658	699	41	6.2%	4	0.6%	14.7	14.2	(0.5)
PSYCHIATRY CHILD	83	64	94	30	46.9%	11	13.3%	24.4	25.9	1.5
RADIATION THERAPY	1	2	0	(2)	-100.0%	(1)	-100.0%	1.0	0.0	(1.0)
RADIOLOGY	17	14	42	28	200.0%	25	147.1%	1.4	1.4	0.0
SURGERY	2,622	2,277	2,563	286	12.6%	(59)	-2.3%	9.4	9.1	(0.3)
UROLOGY	492	493	410	(83)	-16.8%	(82)	-16.7%	4.9	4.3	(0.6)
TOTAL	16,518	15,669	16,382	713	4.6%	(136)	-0.8%	7.8	7.4	(0.4)

UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

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

June 16, 1993

TO: Members of the Finance, Planning and Development Committee
FROM: Greg Hart, General Director
RE: 1993-1994 Capital Budget

Attached please find the proposed capital budget for 1993-94 and the projected annual capital requirements through 1998. The proposed capital budget is consistent with the "capital expenditures" assumptions documented in the 1993-94 operating budget approved last month. Please note that this year's capital budget utilizes the revised capital expenditures policy definitions for special projects (over \$750,000) and major projects (\$250,000-\$750,000).

The capital budget is submitted for your review and approval as outlined below.

Projects Approved in Prior Year

These expenses are associated with multi year capital commitments approved by the Board in prior years. Total anticipated expenditures for '93-'94 is \$1,567,857. A breakdown of these expenses is contained in the 5 year capital projection.

Special Projects (Greater than \$750,000)

The total anticipated expenditures for special projects in '93-'94 is \$12,839,500. These projects will be funded from Hospital reserves or the most cost efficient means of financing available. These projects are submitted at this time for information only. Each special project will be resubmitted individually for Committee/Board approval prior to construction or purchase.

Major Projects (\$250,000-\$750,000)

The total anticipated expenditures for major projects in '93-'94 is \$1,215,000. These projects will be funded from Hospital reserves or the most cost efficient means of financing available. While these projects are submitted for approval, each major project will be resubmitted to the Committee/Board in detail for Board information and review prior to purchase or construction.

Recurring Equipment and Remodeling Expense

We are anticipating expenditures of \$8,800,000 for recurring equipment and remodeling expenses in 1993-94. Approximately 80% of these funds will be allocated to equipment purchases with the remaining 20% allocated to remodeling projects

less than \$250,000. These proportions may vary slightly pending final management review of requests. At present, requests for capital funds exceed the available \$8,800,000 by \$1,200,000. The overage will be reconciled through an established review process. The majority of these funds are spent for replacement of existing equipment in the \$5,000 - \$50,000 range. These purchases will be funded from Hospital operations. We are seeking approval for these expenditures with the provision that additional Board approval will be sought for any expenditure exceeding 105% of aggregate major and recurring capital expenses. It is anticipated that \$2,500,000 in approval recurring capital expenses will be rolled forward from the previous fiscal year and spent in '93-'94.

Renewal Project Phase II

This anticipated expenditure of \$9,400,000 is associated with renovation projects for Departments not incorporated in the new hospital construction. These projects have previously received Board review and approval. A status report on these projects will be forthcoming to the Board of Governors in the 1st quarter of fiscal year '94.

Annual Principles and Leave Payments

It is anticipated that \$6,898,883 will be spent for debt service on equipment, bonds and capital lease payments.

A quarterly status report comparing actual capital expenditures to budget will be provided to the Committee/Board as stipulated in the Board policy.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
 PROJECTED ANNUAL CAPITAL REQUIREMENTS
 17-Jun-93

	ACTUAL 1992	1993	1994	1995	1996	1997	1998	92/93 - 97/98 TOTAL
APPROVED PROJECTS								
1 Replace MRI-1	1,920,000	1,080,000	0	0	0	0	0	1,080,000
2 CUHCC	126,965	0	0	0	0	0	0	0
3 Cancer Center	142,857	142,857	142,857	142,857	142,857	142,857	142,857	857,143
4 Computer Upgrade	2,190,000	0	0	0	0	0	0	0
5 Neuroradiology Upgrade	1,440,000	0	0	0	0	0	0	0
6 Heart Cath Equipment (Rooms 3 & 4)	2,086,891	1,000,000	0	0	0	0	0	1,000,000
7 Linear Accelerator	450,000	900,000	0	0	0	0	0	900,000
8 Practice Acquisition	4,146,000	600,000	600,000	600,000	600,000	600,000	600,000	3,600,000
9 Sports Medicine	0	0	825,000	0	0	0	0	825,000
10 Pharmacy Robot	0	400,000	0	0	0	0	0	400,000
11 Stem Cell Support	0	702,000	0	0	0	0	0	702,000
Approved Projects Subtotal	12,502,713	4,824,857	1,567,857	742,857	742,857	742,857	742,857	9,364,143
ANTICIPATED PROJECTS								
1 Replace CT Scanners	0	0	1,369,500	0	1,369,500	0	0	2,739,000
2 Replace CT Simulator	0	0	0	0	1,100,000	0	0	1,100,000
3 Replace Simulator	0	0	520,000	0	0	0	0	520,000
4 Replace Linear Accelerator	0	0	0	1,583,000	0	1,600,000	0	3,183,000
5 Computer Upgrade	0	1,700,000	3,400,000	2,860,000	2,300,000	2,600,000	4,500,000	17,360,000
6 Neuroradiology Upgrade	0	0	575,000	1,725,000	0	0	0	2,300,000
7 Heart Cath Equipment (Rooms 1 & 2)	0	0	2,350,000	1,950,000	0	0	0	4,300,000
8 CV Surgery Replace Room 7 Equipment	0	0	1,500,000	0	0	0	0	1,500,000
9 Parking Ramp Addition	0	0	500,000	850,000	0	0	0	1,350,000
10 MTS Upgrade or Replacement	0	0	340,000	0	0	0	0	340,000
11 NICU at Riverside	0	0	3,000,000	250,000	0	0	0	3,250,000
12 Bed Allocation Changes	0	0	200,000	500,000	0	0	0	700,000
13 3C Renovation	0	0	200,000	2,900,000	0	0	0	3,100,000
14 Urology Upgrade	0	0	100,000	0	0	0	0	100,000
15 Clinic Upgrades	0	0	0	350,000	350,000	0	0	700,000
16 Anticipated New Technology / Program Development	0	0	0	1,500,000	1,500,000	1,500,000	1,500,000	6,000,000
Anticipated Projects Subtotal	0	1,700,000	14,054,500	14,468,000	6,619,500	5,700,000	6,000,000	48,542,000
RECURRING EQUIPMENT AND REMODELING								
Anticipated Recurring Equipment & Remodeling (current Yr.)	8,947,304	9,509,000	8,800,000	9,400,000	10,000,000	10,600,000	11,200,000	59,509,000
Recurring Equip & Remod Rolled Forward From Previous Yr.			2,500,000					2,500,000
Recurring Equipment & Remodeling Subtotal	8,947,304	9,509,000	11,300,000	9,400,000	10,000,000	10,600,000	11,200,000	62,009,000
RENEWAL PROJECT PHASE II								
Total Equipment, Remodeling, and Renovation	1,078,654	625,000	9,400,000	4,850,000	0	0	0	14,875,000
Total Equipment, Remodeling, and Renovation	22,528,671	16,658,857	36,322,357	29,460,857	17,362,357	17,042,857	17,942,857	134,790,143
ANNUAL PRINCIPAL & LEASE PAYMENTS								
Series 1986A Bond Principal Payments	2,490,000	2,650,000	2,830,000	3,015,000	3,230,000	3,455,000	3,705,000	18,885,000
Series 1985 B Bond Principal Payments	0	3,500,000	3,500,000	4,500,000	5,000,000	0	0	16,500,000
VRDB Principal Escrow	0	0	0	0	0	1,681,000	1,681,000	3,362,000
Existing Capital Lease Payments	800,583	609,936	568,883	528,078	0	0	0	1,706,897
Annual Principal Payments Subtotal	3,290,583	6,759,936	6,898,883	8,043,078	8,230,000	5,136,000	5,386,000	40,453,897
ANNUAL CAPITAL REQUIREMENT TOTAL	25,819,254	23,418,793	43,221,240	37,503,935	25,592,357	22,178,857	23,328,857	175,244,040

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
1993-1994 CAPITAL BUDGET

Projects Approved in Prior Years \$1,567,857

Special Projects

1. Replace CT Scanner	\$1,369,500
2. Replace Simulator	\$520,000
3. Computer Upgrade	\$3,400,000
4. Heart Cath Equipment (Rooms 1 & 2)	\$2,350,000
5. C.V. Surgery Room 7 Equipment	\$1,500,000
6. Parking Ramp Addition	\$500,000 (1)
7. NICU at Riverside	\$3,000,000 (2)
8. 3C Renovation	\$200,000 (3)

Total Special Projects \$12,839,500

Major Projects

1. Neuroradiology Upgrade	\$575,000
2. MTS Upgrade or Replacement	\$340,000
3. Bed Allocation Changes	\$200,000
4. Urology Upgrade	\$100,000

Total Major Projects \$1,215,000

Recurring Capital Expense

Anticipated Remodeling	\$1,800,000
Anticipated Equipment Purchases	\$7,000,000

Total recurring Capital '93-'94 Budget \$8,800,000

Anticipated Rollforward from Previous Yrs. \$2,500,000

Total Recurring Capital \$11,300,000

Renewal Project Phase II \$9,400,000

Annual Principal & Lease Payments

1. Series 1986A Bond Principal Payments	\$2,830,000
2. Series 1985E Bond Principal Payments	\$3,500,000
3. Existing Capital Lease Payments	\$568,883

Total Principal & Lease Payments \$6,898,883

1993-1994 Total Anticipated Capital Expenses \$43,221,240

(1) Total estimated cost of this project is \$1,350,000 over two years. (2) Total estimated cost of this project is \$3,250,000 over two years. (3) Total estimated cost of this project is \$3,100,000 over two years.

UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

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

June 23, 1993

To: Board of Governors Finance,
Planning and Development Committee

From: Clifford P. Fearing

Subject: Creation of a New Not-For-Profit Corporation by UMHC

In fulfillment of its mission of service, education and research, and in accord with the strategic plan adopted by the Board of Governors, UMHC seeks to expand its base of operations, and increase efficiencies through closer relationships with both clinic and hospital providers. As UMHC expands its physician base through acquisition and/or management of new clinics (and other Health care organizations), it will become increasingly expensive and time-consuming to manage and govern the clinics on a clinic by clinic basis. We believe the creation of an umbrella organization to both manage and govern these provider entities is an essential next step in the evolution of UMHC's expanded provider network.

In conjunction with our legal counsel and advisors, we have developed a structure for a new entity, called "Clinico" for the purpose of discussion, which is summarized in the attached conceptual overview.

A more detailed document outlining the proposed governance and committee structure is also attached for your review. This proposed organization is similar in nature to the structure of Interstate Medical Center in Red Wing, but is designed to govern several clinics versus a single organization.

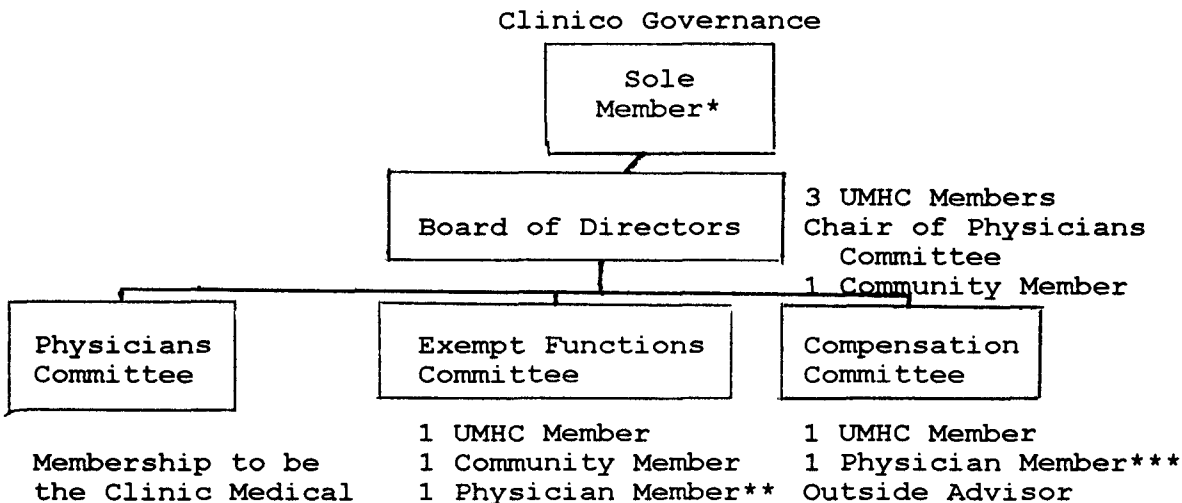
Action Requested and Follow-Up. At this time we are providing this proposal for your information. We will ask the Board of Governors to approve the Clinico concept in July. Assuming such authorization, UMHC's administration and legal counsel will then proceed to establish Clinico and continue actively pursuing the acquisition of prospective constituent clinics. In connection with discussions with prospective constituent clinics, others within UMHC will be involved at the appropriate juncture to help establish and thereafter implement medical education, medical research, community outreach and other such programs to be conducted by Clinico, or to be pursued jointly by Clinico and UMHC. Once Clinico has sufficient constituent clinics, it likely will hire administrator(s) and/or other employees(s) to perform centralized administrative, management and similar such functions. Funding for the operation of Clinico will be requested from the Board of Governors when needed for acquisition or other appropriate activities.

CPF:bb

CLINICO¹ - CONCEPTUAL OVERVIEW

Purpose. From Clinico's standpoint, to own and operate (as a tax exempt organization) several relatively small clinics in Minnesota. (Generally, five or fewer physicians per clinic.) From UMHC's standpoint, to enable it to provide better medical education, medical research and community outreach. (UMHC will be able for example, to place family practice residents in smaller clinic settings, where they can gain experience with a different patient base, in a setting that may be much more "true to life" for their prospective practice than the urban hospital. The primary care opportunities are consistent with the way that health care demand seems to be moving. UMHC will also have the opportunity to conduct medical research projects focusing on a different patient demography and different patient concerns than may be present in the urban hospital setting.) From the physicians standpoint, to be able to participate in medical education, research and community outreach, and to have centralized administration and management (centralized billing, accounting and the like) so as to be able to better focus on the delivery of health care services, and on the medical education, research and community outreach aspects.

Governance. Governance will be structured so as to vest ultimate control in UMHC, but ensure representation of the community or communities served, and the physicians. Following is a summary proposed governance structure:



* The Regents of the University of Minnesota.

** The Chair-elect of the Physicians Committee.

*** The last year's Chair of the Physician's Committee.

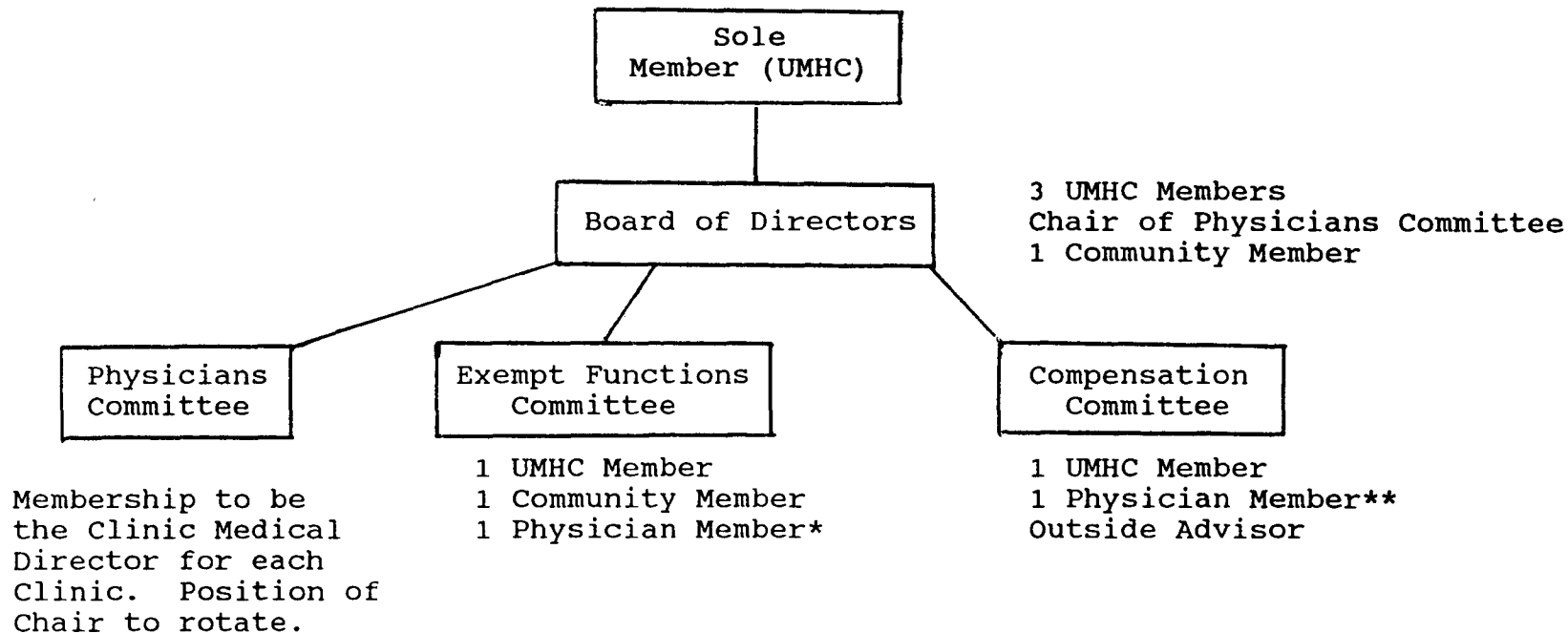
¹ This is a temporary name being used for convenience only.

Since many different communities will be served, it may be appropriate to have an extra advisory group or committee, with additional community representation, from which the community member of the Clinico Board of Directors and the Exempt Functions Committee could be drawn (probably on a rotating basis).

It is anticipated that each of the constituent clinics will operate much like a "division" of Clinico. Each will have a Medical Director who will be responsible for day-to-day delivery of health care services. However, administrative, management, quality assurance/peer review, medical education programs, and other overall functions will be centralized.

Funding. Clinico will require capital contributions from UMHC to fund the purchase of the assets of its constituent clinics. It will also require working capital, which UMHC can provide by capital contribution, loan, or some combination of the two. Once a given clinic is acquired by Clinico, except for initial working capital funding (until the clinic has built up a sufficient receivables to cover payables on an ongoing basis), it is expected that the clinic would generally be self-sustaining. But to the extent each constituent clinic is involved in medical education, research, community outreach or other activities that do not generate revenues, those activities will have to be sustained by a combination of earnings that Clinico retains over its existence, and possibly by some continuing funding from UMHC.

Clinico Governance DRAFT 5/196/7/93



* Perhaps the Chair-elect of the Physicians Committee.

** Perhaps the last year's Chair of the Physicians Committee.

See attached pages for a description of the possible make-up of each group, and areas of authority to be established by Clinico's Articles of Incorporation or bylaws.

UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

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

June 16, 1993

TO: Board of Governors Finance, Planning and Development
Committee

FROM: Greg Hart

Attached is a proposal to purchase a new computer system for outpatient registration, scheduling, and physicians' billing. We will be presenting this for approval to spend \$1,374,700. This cost will be recovered through operating efficiencies in the clinics and through a seven year lease arrangement with the University of Minnesota Clinical Associates (UMCA). The proposal is also being presented to the UMCA Board of Directors for their approval. UMHC Board of Governors approval will be contingent on this.

Last month, when this was first presented, the committee asked for further detail regarding the specific cost savings that would result from implementing the system. This is included in the attached. Also, concern was expressed regarding the amount of cost being recovered from UMCA for the system. After further consideration, we believe the proposal is fair and appropriate and continue to recommend the attached rate of cost sharing.

Mary Ellen Wells, Cliff Fearing, and Al Dees will present this to you next week and answer any questions you may have at that time. Thank you.

The University of Minnesota Hospital and Clinic Registration and Scheduling System Proposal

Summary

Nine months ago, The University of Minnesota Hospital and Clinic (UMHC) and University of Minnesota Clinical Associates (UMCA) appointed a joint task force to 1) review and recommend changes to the ambulatory care scheduling and registration process and 2) evaluate and recommend a new automated outpatient scheduling system. Since that time, the task force has developed a new, streamlined registration process that is being piloted in the Medicine Clinic and will soon be expanded to other clinics. In addition, the task force recommended the purchase of registration and scheduling software packages and the requisite computer hardware from IDX Corporation.

UMCA and four medical departments are currently utilizing other IDX software for professional fee billing through a timeshare contract with IDX. Due to the substantial savings possible, the task force has also recommended that UMHC finance the purchase of this billing software and the additional hardware to enable the transfer of support for these functions to an on campus location. It is proposed that UMHC be reimbursed for the costs of this purchase and support through a seven year lease with UMCA.

Background: The Current Appointment and Registration System

UMHC's current system was developed over 15 years ago. It is inefficient, uses an inordinate amount of personnel resources, and results in poor patient satisfaction and service. The major deficiencies of the system include:

- The system lists appointment dates and times but does not maintain physician or clinic schedules. As a result, clinics and departments must maintain duplicative, manual schedules.
- The system does not interface with Radiology or Laboratory Services. Therefore, ancillary tests that occur as part of a clinic visit are scheduled manually or not at all.
- Clinics and medical staff offices have no efficient method of sharing appointment information. Therefore, each works off blocks of time, often resulting in underbooking or overbooking of clinic sessions and severely limiting physicians' flexibility and availability.

- No interface currently exists between the registration system and the outpatient appointment system. Thus, hospital, clinic, and medical offices rely on paper systems to share a patient's medical, demographic, or insurance information.

IDX Scheduling and Registration Package

The proposed computer system will allow staff to see a physician's complete schedule, allow more efficient access to UMHC's admissions and registration database, and will allow clinic staff to schedule complex ancillary exams through the computer terminal. Medical departments, if they desire, may interface electronically with both the scheduling and registration databases. Key features of the IDX scheduling and registration package are:

- One Scheduling Screen: Within the same screen, several appointments can be scheduled at one time. The user has the ability to view, edit, cancel or automatically reschedule appointments.
- Cyclical Scheduling of Appointments: Weekly, monthly, or on-going treatments are easily accommodated.
- Resource Scheduling: At the time an appointment is made, time required for exam rooms, pieces of equipment, or ancillary staff can be scheduled.
- Provider Schedules: Individual schedules are maintained on-line and accommodate provider preferences such as appointment duration, type of patient, and non-patient time.
- Registration: Existing patient registration updates can be made from scheduling. New patients can be scheduled with minimal registration information, and updated at the patient's convenience.
- Ancillary Appointments: Ancillary procedures can be scheduled through the outpatient scheduling package.
- Reporting: The system provides reports that will enhance clinic efficiencies, ensure that all visits are billed, and can be used by clinic and physician administration to improve clinic management.
- Letters: Features include automatic operation of appointment reminders and letters of thanks to referring physicians.

Implications for UMHC's Strategic Plan

The scheduling and registration system meets both cost containment and service goals of the UMHC Strategic Plan. The on-line scheduling features will streamline clinic activities with a projected savings of \$220,000 in personnel costs once the system is fully implemented. Attachment A summarizes the cost savings that have been identified.

In addition to these quantified savings, savings may occur if the no-show rate declines as a result of the automated appointment notice and reminder system. Also, there may be improved billings and collections with more accurate tracking capability and with better tools to oversee the managed care authorization process.

The system will respond to patient needs and improve service levels in the clinics. For example, patients will have smoother cancellation and rescheduling processes, quicker scheduling of multi-clinic appointments, rapid responses to their inquiries regarding their appointments, and will be checked in and out faster.

Financial Analysis

Attachment B is a summary of the costs to UMHC and UMCA for the proposed system. This analysis is based on purchase of all hardware and software by UMHC for a total price of \$1,374,700. Purchase, annual maintenance, and operating costs related to scheduling for all medical departments and registration and professional fee billing functions for UMCA and the four medical departments currently using IDX would be recovered through a 7 year lease agreement with UMCA. The annual lease amount would be \$404,000.

UMHC's portion of the total annualized costs would be \$217,105. This cost is offset by a \$220,000 decrease in personnel costs and operational efficiencies.

ATTACHMENT A

**OUTPATIENT SCHEDULING AND REGISTRATION SYSTEM
DETAIL OF COST SAVINGS**

<u>CLINIC/AREA</u>	<u>FTE REDUCTION</u>	<u>SALARY</u>	<u>FRINGE</u>	<u>TOTAL COST SAVINGS</u>
DERMATOLOGY/SURGERY	0.60	\$14,976	\$4,006	\$18,982
EMERGENCY ROOM	0.80	20,800	5,564	26,364
ENDOSCOPY	0.18	4,628	1,238	5,866
MASONIC DAY HOSPITAL	1.50	37,440	10,015	47,455
MEDICINE	1.00	23,920	6,399	30,319
OPHTHALMOLOGY	0.50	12,480	3,338	15,818
ORTHOPAEDICS	0.50	12,480	3,338	15,818
OTOLARYNGOLOGY	0.40	10,192	2,726	12,918
PEDIATRICS	0.75	19,282	5,158	24,440
WOMEN'S HEALTH	0.75	17,940	4,799	22,739
	6.98	\$174,138	\$46,582	\$220,720

These savings have been calculated based on the number of clinic visits requiring complicated check-out procedures involving a number of laboratory tests, x-ray tests, and future appointments and consultations. When the clinics are able to schedule tests and appointments on-line, time savings can be up to 40 minutes per patient.

PROPOSED PURCHASE
 IDX REGISTRATION, SCHEDULING & PHYSICIANS' BILLING SYSTEMS

ATTACHMENT B

PURCHASE COST

APPLICATION SOFTWARE (7 Year Licenses)

Registration	\$97,500
Scheduling	\$150,000
Interfaces to UMHC Systems	
Vendor	\$95,000
Internal	\$50,000
Physicians' Billing Systems (4 pkgs.)	\$345,900

COMPUTER SYSTEM

Processor & Peripherals	\$407,140
Environmental & Utility Software	\$229,160

TOTAL \$1,374,700

Interest @ 6%, 84 months \$312,220

GRAND TOTAL \$1,686,920

ANNUAL OPERATING COST

Purchase Cost over 7 yr. license \$240,989

Application Software Maintenance

Registration	\$20,400
Scheduling	\$30,000
Interfaces	\$22,800
Physicians' Billing Systems	\$65,760

Computer System

Processor & Peripherals	\$40,576
Environmental & Utility Software	\$50,640
Information Systems Staff (3 FTE's)	\$150,000

TOTAL \$621,165

PROPOSED LEASE CHARGE TO UMCA \$404,000

REMAINING COST TO UMHC \$217,165

PROJECTED UMHC COST REDUCTION \$220,000

UMHC GAIN/(LOSS) \$2,835

Resolution to close the meeting of the Board of Governors Finance, Planning, and Development Committee on Wednesday, June 23, 1993:

RESOLVED, that on the recommendation of the General Director and as provided by Minnesota State Statute, a non-public meeting of the Board of Governors be held on Wednesday, June 23, 1993, in the Board Room (8-106 University Hospital) for the purpose of discussing specific marketing strategies.