UNIVERSITY OF MINNESOTA
TWIN CITIES

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

# MEETING OF THE BOARD OF GOVERNORS FINANCE COMMITTEE

Wednesday, July 25, 1990
12:00 - 2:00 p.m.*
8-106 University Hospital

## COMMITTEE MEMBERS

Jerry Meilahn, Chair
Edward Ciriacy, M.D.
Robert Dickler
Clifford Fearing
Elwin Fraley, M.D.
Nellie Johnson
David Lentz
Margaret Matalamaki
Barbara O'Grady
Roger Paschke
Vic Vikmanis

## A G E N D A

| | | |
|---|---|---|
| I. | **Opening of Meeting and Approval of Minutes of Finance Committee meeting held 6/27/90 (Approval)** pp. 1 - 4 | Mr. Jerry Meilahn |
| II. | **June 30, 1990 Financial Statements (Information)** (To be distributed at meeting) | Mr. Clifford Fearing |
| III. | **Capital Plan - Update (Information)** | Mr. Clifford Fearing |
| IV. | **Fourth Quarter, 1989-90 Bad Debts (Endorsement)** pp. 5 - 48 | Mr. Clifford Fearing |
| V. | **Other** | |

***A buffet lunch will be served at 11:30 a.m. in the Board Room.**

# THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
# BOARD OF GOVERNORS FINANCE COMMITTEE
June 27, 1990

## MINUTES

**ATTENDANCE:**

| | |
|---|---|
| Present: | Carol Campbell<br>Edward Ciriacy, M.D.<br>Robert Dickler<br>Clifford Fearing<br>Margaret Matalamaki<br>Barbara O'Grady<br>Vic Vikmanis |
| Not Present: | Elwin Fraley, M.D.<br>Jerry Meilahn |
| Staff: | Greg Hart<br>Teri Holberg<br>Nels Larson<br>Shannon Lorbiecki<br>Bruce Work, M.D. |
| Guests: | Catherine Friedman<br>Ken Kaufman |

**CALL TO ORDER:**

The Finance Committee was called to order by Ms. Margaret Matalamaki on June 27, 1990 at 12:05 P.M.

**APPROVAL OF THE MINUTES:**

The Board of Governors Finance Committee seconded and passed a motion to approve the minutes of the May 23, 1990 meeting as written.

**JULY 1, 1989 THROUGH MAY 31, 1990 FINANCIALS:**

Mr. Clifford Fearing reported to the Finance Committee the month of May inpatient admissions totaled 1,523, which was 114 below budget; average length of stay was 7.9 days; patient days totaled 12,119, which were 1,388 days below budget. The May average daily census was 391, which was below the budgeted level of 433. Clinic visits for the month of May were reported to be 1.1% above budget.

The Hospital's year-to-date Statement of Operations showed revenues over expenses by $4,918,930 a favorable variance of $3,646,032. Mr. Fearing stated ancillary revenue was 6.2% under budget and operating expenditures were reported to be 6.1% below budget.

Lastly, Mr. Fearing reported as of May 31 the balance of accounts receivable totaled $85,483,434 and represented 93.5 days of revenue outstanding.

**REMODELING OF OBSTETRIC UNIT:**

Mr. Robert Dickler presented to the Committee, for endorsement, a proposal for equipment and remodeling the obstetric unit at a cost of approximately $350,000 ($165,642 for equipment and $173,778 for remodeling).

Mr. Dickler introduced Dr. Bruce Work, chair of the Obstetric Department. Dr. Work stated the remodeling would consist of converting six rooms to a labor, delivery, recovery, post partum function; the nursery would be relocated to a central site adjacent to an upgraded main desk area; current nursery space would be dedicated to patient/family activities; renovation of patient shower room; and aesthetic upgrade of Unit 59. Dr. Work stated it is necessary to remodel the obstetric unit in order to maintain and enhance the programs' short- and long-term viability and because it is projected that it will be a minimum of three year before a new unit is available through the Renewal Project Phase II. (The equipment will be able to be used in future space.)

The Board of Governors Finance Committee second and passed the motion to remodel the obstetric unit at a cost of approximately $350,000.

**PERSONNEL POLICY CHANGES:**

Mr. Dickler presented to the Committee, for endorsement, personnel policy changes.

Mr. Dickler stated the recommendations for changes in policies #4 and #5 are intended largely to clarify intent and/or have the procedures more accurately reflect current practice. The change in Policy 12, Section 8 consisted of the change in approval process for leaves of absence.

The Board of Governors Finance Committee second and passed the motion to the personnel policy changes.

**LONG RANGE CAPITAL PLAN:**

Mr. Fearing introduced Mr. Ken Kaufman and Catherine Friedman, from Kaufman, Hall & Associates, who assisted in developing a long range financial and capital analysis of the hospital.

Mr. Kaufman presented to the Committee a summary of the 1991 - 1998 projected financial operation and capital analysis. The result of this analysis showed that if the Hospital's operating position from 1991 - 1998 continued in its present manner, and the capital expenditures reach a total of $221,000,000, as projected, the Hospital would have an annual cash shortfall of $13,000,000 in 1998. Mr. Fearing indicated the Hospital would need to borrow $13,000,000 in order to maintain a cash balance in 1998 because all usable funds would be depleted, i.e., reserves would have been totally spent. Mr. Kaufman concluded by stating that in order to avoid the projected cash shortfall the Hospital will need to either substantially improve operations through revenue enhancement or expense control, or not spend the $221,000,000 in capital.

Based on the financial and capital analysis for 1991 - 1998, a hold on the Renewal Project II was proposed. The Board of Governors Finance Committee endorsed the motion to put the Renewal Project II on hold.

**FINANCE COMMITTEE SCHEDULE:**

Mr. Fearing stated the Board of Governors had requested a list of recurring committee items in order to see if the Board of Governors responsibilities could potentially be met with fewer meetings. It has been proposed that the Board of Governors' meetings not occur in March, August, or November. The annual Board's retreat would occur in September, and therefore there would not be a formal Board meeting in September.

Mr. Fearing reported that in reviewing the recurring Finance Committee items there would not be a need to have Committee meetings in March, August, September, or November, and would be able to continue to meet on the same day as the Board of Governors' meetings.

**1990-91 CAPITAL BUDGET:**

Mr. Hart stated that as a result of the report on the long term capital plan the 1990-91 capital budget is being reevaluated and will be presented at a future meeting. Only very limited capital expenditures (i.e., emergencies, or other explicitly approved projects) will be allowed for the first three months of the 1990-91 fiscal year.

**1990-91 EMPLOYEE COMPENSATION PLAN:**

Mr. Hart submitted to the Finance Committee, for endorsement, the 1990-91 Employee Compensation Plan.

Mr. Hart presented the following recommendations to the Committee for non-student, non-unionized employees in Hospital-dominated classes with an effective date of July 1, 1990. Recommendations were not included for Hospital employees in University-dominated classes, which are determined by the University-wide Civil Service pay plan, and employees in bargaining units represented by unions, who are entering the second year of an existing two year contract agreement.

1) 4% general increase consisting of a 2% change in salary ranges and a 2% progression increase, i.e., movement through salary range. The total cost of these increases is $1,044,000.

2) Pay equity increases for classes eligible for such adjustment, continuing the previously approved plan. Cost is $161,000 for Hospital-dominated classes, and $291,000 for University-dominated classes. Mr. Hart stated this is the final year of the six year pay equity plan.

3) 9.4% cost increase for registered nurse related classes consistent with the existing community nursing contract. The increases include range changes, step increases, and other additions. The total cost of these increases is $4,018,000.

4) Additional marketplace increases, where marketplace data or recruitment/retention issues evidence the need for such adjustments.

The Board of Governors Finance Committee second and passed the motion to approve the 1990-91 Employee Compensation Plan.

**RED WING:**

Mr. Fearing stated a meeting was held in Red Wing on Tuesday night, June 26, 1990 with members of the Board from Interstate Medical Center and members of the Board from St. John's Hospital. The letter of agreement for exclusive negotiation for the next nine months was signed with Interstate Medical Center at that meeting. During the next nine months a decision will be made on what type of organizational relationship or affiliation the University will have with the Red Wing physicians.

Mr. Fearing thanked Carol Campbell for all of her time and contributions to the Board of Governors Finance Committee. Ms. Campbell will be the Vice President for Finance and Operations for Carlton College effective July, 1990.

There being no further discussion, the June 27, 1990 meeting was adjourned at 2:00 P.M.

Respectfully submitted,

Teri Holberg

Teri Holberg
Recording Secretary

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

July 25, 1990

**TO:** Board of Governors Finance Committee

**FROM:** Clifford P. Fearing

**SUBJECT:** Report of Operations for the Period
**July 1, 1989 through June 30, 1990**

The Hospital's operations for the month of June reflect inpatient admissions, patient days, and clinic visits activity below budget. Both ancillary revenue and routine revenue are below budgeted levels for the month.

**INPATIENT CENSUS:** For the month of June, inpatient admissions totaled 1,508 which was 138 below budgeted admissions of 1,646. Our overall average length of stay for the month was 7.8 days. Patient days for June totaled 11,774 and were 1,229 days below budget. The decrease in admission levels from budget was seen in almost all areas with the most significant ones being in Medicine, Neurology, Ophthalmology, Orthopedics, Surgery, and Urology.

**To recap our year-to-date inpatient census:**

| | 1988-89 Actual | 1989-90 Budget | 1989-90 Actual | Variance | % Var |
|---|---|---|---|---|---|
| Admissions | 18,856 | 18,860 | 18,331 | (529) | (2.8) |
| Patient Days | 158,375 | 158,100 | 147,484 | (10,616) | (6.7) |
| Avg Length of Stay | 8.4 | 8.4 | 8.0 | (0.4) | (4.8) |
| Avg Daily Census | 433.9 | 433.1 | 404.1 | (29.0) | (6.7) |
| Percent Occupancy | 74.5 | 73.9 | 69.6 | (4.3) | (5.8) |

**OUTPATIENT CENSUS:** Clinic visits for the month of June totaled 23,618 which was 1,531, or 6.1%, less than budgeted visits of 25,149. Visits were significantly below budget in Dentistry, Dermatology, OB/GYN, Ophthalmology, Sports Medicine, Orthopedic, Infectious Disease, and Urology. Masonic Day Hospital reported visits significantly above budgeted levels. Community University Health Care Center (CUHCC) visits for the month of June totaled 4,217 which was 310, or 7.9%, over budgeted visits of 3,907, while Home Health visits of 771 for the month were 199, or 20.5%, below budgeted visits of 970.

**To recap our year-to-date outpatient census:**

| | 1988-89 Actual | 1989-90 Budget | 1989-90 Actual | Variance | % Var |
|---|---|---|---|---|---|
| Clinic Visits | 272,322 | 278,200 | 270,667 | (7,533) | (2.7) |
| CUHCC Visits | 48,265 | 46,700 | 53,062 | 6,362 | 13.6 |
| HHA Visits | 12,070 | 11,800 | 11,255 | (545) | (4.6) |

**FINANCIAL OPERATIONS:** The Hospital's Statement of Operations shows revenues over expenses by $6,210,945, a favorable variance of $4,578,945. Patient care charges through June totaled $319,819,221, which was 6.1% under budget. Routine revenue was 4.6% under budget and reflects our unfavorable inpatient census variance.

Ancillary revenue was $16,164,924 below budget (6.6%) and reflected the unfavorable variance in both inpatient and outpatient census and the unfavorable variance in the average revenue per clinic visit. Inpatient ancillary revenue averaged $8,874 per admission compared to the budgeted average of $8,922 per admission. Outpatient revenue per clinic visit averaged $239 compared to the budgeted average of $271.

Operating expenditures through June totaled $275,258,743 and were $17,869,257 (6.1%) below budgeted levels of $293,128,000. The overall favorable variance relates primarily to the decreased demand for patient services, and is reflected across most expense categories.

**ACCOUNTS RECEIVABLE:** The balance in patient accounts receivable as of June 30, 1990, totaled $88,676,838 and represented 96.3 days of revenue outstanding. The overall increase in our patient receivables in June of 2.9 days occurred primarily in Minnesota Medical Assistance, Special Contracts - Transplants, Medicare, and Blue Cross Aware.

**CONCLUSION:** The Hospital's overall operating position is positive and above budgeted levels for June. While we have seen improvement in our expenditure levels, we are continuing to closely monitor our demand for services and make those operating changes that are necessary and appropriate to bring our expense levels into line with net revenues.

The June financial statements presented today are preliminary in that the University, and the Hospital, have not completed the year-end closing process. Even though these are preliminary statements, we do not anticipate any material changes to them as a result of the closing process. Financial statements reflecting the final close will be presented at the October meeting of the Board.

PRELIMINARY

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

EXECUTIVE SUMMARY OF FINANCIAL ACTIVITY

FOR THE PERIOD JULY 1, 1989 TO JUNE 30, 1990

| | 1989-90 Budgeted | 1989-90 Actual | Variance Over/-Under Budget | Variance % |
|---|---|---|---|---|
| Patient Care Charges | $340,467,000 | $319,819,221 | ($20,647,779) | -6.1% |
| Deductions from Charges | 79,853,000 | 76,887,230 | (2,965,770) | -3.7% |
| Other Operating Revenue | 9,865,684 | 10,797,186 | 931,502 | 9.4% |
| Total Operating Revenue | 270,479,684 | 253,729,177 | (16,750,507) | -6.2% |
| Total Expenditures | 293,128,000 | 275,258,743 | (17,869,257) | -6.1% |
| Net Operating Revenue | (22,648,316) | (21,529,566) | 1,118,750 | 4.9% |
| Non-Operating Revenue and Expenses | 24,280,316 | 27,740,511 | 3,460,195 | 14.3% |
| Revenue Over/Under Expense | $1,632,000 | $6,210,945 | $4,578,945 | |

| | 1989-90 Budgeted | 1989-90 Actual | Variance Over/-Under Budget | Variance % |
|---|---|---|---|---|
| Admissions | 18,860 | 18,331 | (529) | -2.8% |
| Patient Days | 158,100 | 147,484 | (10,616) | -6.7% |
| Average Daily Census | 433.1 | 404.1 | (29.0) | -6.7% |
| Average Length of Stay | 8.4 | 8.0 | (0.4) | -4.8% |
| Percentage Occupancy | 73.9 | 69.6 | (4.3) | -5.8% |
| Outpatient Clinic Visits | 278,200 | 270,667 | (7,533) | -2.7% |

PRELIMINARY

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED JULY 1, 1989 TO JUNE 30, 1990

| ANNUAL BUDGET | PATIENT CARE CHARGES | BUDGETED | ACTUAL | OVER/(UNDER) BUDGET | VARIANCE % |
|---|---|---|---|---|---|
| $96,834,525 | ROUTINE | $96,834,525 | $92,351,670 | ($4,482,855) | -4.6% |
| 243,632,475 | ANCILLARY | 243,632,475 | 227,467,551 | (16,164,924) | -6.6% |
| $340,467,000 | GROSS CHARGES | $340,467,000 | $319,819,221 | ($20,647,779) | -6.1% |
| | DEDUCTIONS FROM CHARGES | | | | |
| $11,479,000 | BILLING ADJUSTMENTS | $11,479,000 | $12,067,050 | $588,050 | 5.1% |
| 15,080,000 | HMO/PPO DISCOUNTS | 15,080,000 | 18,854,617 | 3,774,617 | 25.0% |
| 48,573,000 | GOVERNMENTAL CONTRACTUAL ADJUST | 48,573,000 | 41,533,666 | (7,039,334) | -14.5% |
| 550,000 | CHARITABLE CARE | 550,000 | 676,742 | 126,742 | 23.0% |
| 4,171,000 | PROVISION FOR UNCOLLECTABLES | 4,171,000 | 3,755,155 | (415,845) | -10.0% |
| $79,853,000 | TOTAL DEDUCTIONS | $79,853,000 | $76,887,230 | ($2,965,770) | -3.7% |
| | OTHER OPERATING REVENUE | | | | |
| $1,627,000 | FOOD SERVICES | $1,627,000 | $1,613,606 | ($13,394) | -0.8% |
| 714,000 | PARKING SERVICES | 714,000 | 914,797 | 200,797 | 28.1% |
| 77,000 | DEPARTMENT NON-PATIENT | 77,000 | 131,474 | 54,474 | 70.7% |
| 1,269,000 | GRANT INCOME | 1,269,000 | 1,810,447 | 541,447 | 42.7% |
| 1,958,000 | REFERENCE LAB INCOME | 1,958,000 | 2,185,089 | 227,089 | 11.6% |
| 2,056,000 | PRO FEES--NET REVENUE | 2,056,000 | 1,718,144 | (337,856) | -16.4% |
| 40,000 | SILVER SALVAGE | 40,000 | 29,707 | (10,293) | -25.7% |
| 2,124,684 | INCOME FROM BOND PROCEEDS | 2,124,684 | 2,373,422 | 248,738 | 11.7% |
| 0 | DONATIONS | 0 | 20,500 | 20,500 | |
| $9,865,684 | TOTAL OTHER REVENUE | $9,865,684 | $10,797,186 | $931,502 | 9.4% |
| $270,479,684 | TOTAL REVENUE FROM OPERATIONS | $270,479,684 | $253,729,177 | ($16,750,507) | -6.2% |
| | EXPENDITURES | | | | |
| $123,859,000 | SALARIES | $123,859,000 | $115,100,796 | ($8,758,204) | -7.1% |
| 27,976,000 | FRINGE BENEFITS | 27,976,000 | 27,265,261 | (710,739) | -2.5% |
| 2,235,000 | ACADEMIC CONTRACTS | 2,235,000 | 2,185,233 | (49,767) | -2.2% |
| 6,242,000 | RESIDENT CONTRACTS | 6,242,000 | 6,347,040 | 105,040 | 1.7% |
| 3,167,000 | PHYSICIAN COMPENSATION | 3,167,000 | 3,083,514 | (83,486) | -2.6% |
| 163,479,000 | TOTAL SALARY, F.B., & FEES | 163,479,000 | 153,981,844 | (9,497,156) | -5.8% |
| 2,395,000 | LAUNDRY & LINEN | 2,395,000 | 2,128,792 | (266,208) | -11.1% |
| 1,946,000 | RAW FOOD | 1,946,000 | 1,813,554 | (132,446) | -6.8% |
| 20,366,000 | DRUGS | 20,366,000 | 18,592,864 | (1,773,136) | -8.7% |
| 11,343,000 | BLOOD & BLOOD DERIVATIVES | 11,343,000 | 9,313,851 | (2,029,149) | -17.9% |
| 26,628,000 | MEDICAL SUPPLIES & SERVICES | 26,628,000 | 26,004,621 | (623,379) | -2.3% |
| 6,256,000 | UTILITIES | 6,256,000 | 6,103,404 | (152,596) | -2.4% |
| 992,000 | INSURANCE | 992,000 | 745,106 | (246,894) | -24.9% |
| 3,866,000 | RENTAL | 3,866,000 | 3,550,193 | (315,807) | -8.2% |
| 5,101,000 | MAINTENANCE & REPAIR | 5,101,000 | 4,918,321 | (182,679) | -3.6% |
| 24,000 | NET LOSS ON DISPOSAL OF ASSETS | 24,000 | 108,221 | 84,221 | |
| 282,000 | CAMPUS ADMINISTRATION EXPENSE | 282,000 | 282,374 | 374 | 0.1% |
| 18,283,000 | DEPRECIATION | 18,283,000 | 17,737,818 | (545,182) | -3.0% |
| 13,038,000 | INTEREST | 13,038,000 | 12,599,874 | (438,126) | -3.4% |
| 19,129,000 | GENERAL SUPPLIES & EXPENSE | 19,129,000 | 17,377,906 | (1,751,094) | -9.2% |
| $293,128,000 | TOTAL EXPENDITURES | $293,128,000 | $275,258,743 | ($17,869,257) | -6.1% |
| ($22,648,316) | NET REVENUE FROM OPERATIONS | ($22,648,316) | ($21,529,566) | $1,118,750 | 4.9% |
| | NON-OPERATING REVENUE | | | | |
| $15,579,000 | APPROPRIATIONS & SUPPORT | $15,579,000 | $15,490,602 | ($88,398) | -0.6% |
| 6,906,000 | INTEREST INCOME ON RESERVES | 6,906,000 | 8,616,216 | 1,710,216 | 24.8% |
| 181,000 | SHARED SERVICES | 181,000 | 185,054 | 4,054 | 2.2% |
| 1,484,316 | INVESTMENT INCOME HELD BY TRUSTEE | 1,484,316 | 1,386,006 | (98,310) | -6.6% |
| 130,000 | OTHER INVESTMENT INCOME | 130,000 | 97,633 | (32,367) | -24.9% |
| 0 | DIVIDEND DISTRIBUTION | 0 | 1,965,000 | 1,965,000 | |
| $24,280,316 | TOTAL NON-OPERATING REVENUE | $24,280,316 | $27,740,511 | $3,460,195 | 14.3% |
| $1,632,000 | REVENUE OVER/(UNDER) EXPENSE | $1,632,000 | $6,210,945 | $4,578,945 | |

PRELIMINARY

# UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
## BALANCE SHEETS

JUNE 30, 1990 AND JUNE 30, 1989

| ASSETS | 06/30/90 | 6/30/89 |
|---|---|---|
| CURRENT ASSETS | | |
| Operating Cash | $72,282 | $72,282 |
| Reserve Cash- Third Party Payable | 12,804,862 | 4,994,382 |
| Reserve Cash- Current Indebtedness | 7,239,816 | 8,484,143 |
| Reserve Cash- Fringe Benefits | 0 | 798,151 |
| Accounts Receivable | | |
| Patient Receivables | 88,676,838 | 87,672,463 |
| Other Receivables | 1,548,187 | 1,167,188 |
| Third Party Receivable | 505,066 | 6,333,531 |
| Appropriation Receivable | 1,281,378 | 1,235,467 |
| | 92,011,469 | 96,408,649 |
| Less Allowances for Losses in Collection | (7,440,700) | (5,933,101) |
| Less Allowances for Discounts to Third Party Payors | (26,263,725) | (19,160,666) |
| | 58,307,044 | 71,314,882 |
| Inventories of Drugs & Supplies | 4,616,669 | 4,928,266 |
| Prepaid Expenses | 303,306 | 657,135 |
| TOTAL CURRENT ASSETS | $83,343,979 | $91,249,241 |
| ASSETS WHOSE USE IS LIMITED | | |
| Board Designated Assets Available for Assignment | | |
| Cash & Investments | $69,570,553 | $63,557,757 |
| Accrued Interest | 2,363,863 | 148,244 |
| | 71,934,416 | 63,706,001 |
| Cash & Invest for Debt Service | 13,000,000 | 13,000,000 |
| Cash & Invest for Working Capital | 30,984,480 | 16,000,000 |
| TOTAL | $115,918,896 | $92,706,001 |
| PROPERTY, PLANT, & EQUIPMENT | | |
| Land, Buildings & Improvements | $188,293,404 | $184,168,980 |
| Equipment | 90,990,035 | 83,089,361 |
| | 279,283,439 | 267,258,341 |
| Less Accumulated Depreciation | (116,250,326) | (100,371,670) |
| | 163,033,113 | 166,886,671 |
| Construction in Progress | 3,634,565 | 9,057,292 |
| TOTAL PROPERTY, PLANT, & EQUIPMENT | 166,667,678 | 175,943,963 |
| Assigned Cash & Investments for Construction/Equipment | 8,871,893 | 7,006,734 |
| TOTAL | $175,539,571 | $182,950,697 |
| INVESTMENTS HELD BY BOND TRUSTEE | $19,111,035 | $18,870,093 |
| OTHER ASSETS | | |
| Deferred Third Party Reimbursement | $7,071,157 | $7,737,794 |
| Deferred Debt Expense | 1,092,412 | 1,175,980 |
| Deposits and Other | 549,900 | 675,798 |
| TOTAL | $8,713,469 | $9,589,572 |
| TOTAL ASSETS | $402,626,950 | $395,365,604 |
| RESTRICTED ASSETS | | |
| Cash and Investments | $6,746,026 | $5,450,761 |

| LIABILITIES AND FUND BALANCES | 06/30/90 | 6/30/89 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Accounts Payable | $11,943,590 | $8,926,779 |
| Payable to Third Party Contr. Payors | 9,989,862 | 10,071,821 |
| Salaries, Wages and Payroll Taxes | 4,892,538 | 4,820,284 |
| Accrued Vacation | 8,529,488 | 8,187,806 |
| Accrued Professional Fees and Physician Compensation | 1,161,716 | 741,071 |
| Contracts Payable | 143,362 | 40,000 |
| Construction Retainages | 0 | 215,074 |
| Interest Payable | 4,971,131 | 5,085,186 |
| Current Portion of Long-Term Debt | 2,981,579 | 2,724,624 |
| Promissory Notes Payable | 1,300,000 | 2,500,000 |
| TOTAL CURRENT LIABILITIES | $45,913,267 | $43,312,645 |
| LONG-TERM DEBT, LESS CURRENT PORTION | $167,891,690 | $169,579,548 |
| UNRESTRICTED FUND BALANCE | $188,821,994 | $182,473,411 |
| TOTAL LIABILITIES & FUND BALANCE | $402,626,951 | $395,365,604 |
| RESTRICTED FUND BALANCES | | |
| Endowment Funds | $2,379,979 | $2,161,348 |
| Gift Funds | 4,366,047 | 3,289,413 |
| | $6,746,026 | $5,450,761 |

PRELIMINARY

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

OPERATING CASH FLOW

FOR THE PERIOD JULY 1, 1989 TO JUNE 30, 1990

Source of Funds

| | | |
|---|---|---|
| Beginning Operating Cash Balance | | $72,282 |
| Net Income from Operations | (21,529,566) | |
| Dividend Distribution | 1,965,000 | |
| Non-Operating Revenue | 25,775,511 | |
| Excess of Revenue over Expense | | 6,210,945 |
| Items not Requiring the Outlay of Cash | | |
| Depreciation | | 17,737,818 |
| University Support: G & A | | 190,707 |
| Transfer from Trustee for Bond Int. Payment | | 989,131 |
| Amortization of Bond Costs | | 222,103 |
| Loss on Disposal of Assets | | 108,221 |
| Deferred Third Party Reimbursement | | 666,637 |
| Transfer from Fringe Benefit Reserve | | 798,151 |
| Increase in Accrued Expenses | | 3,939,195 |
| Decrease in Prepaid Expenses | | 479,727 |
| Decrease in Accounts Receivable | | 7,606,283 |
| Decrease in Third Party Receivable | | 5,828,465 |
| Decrease in Inventory | | 311,597 |
| Total Funds Provided from Operations | | $45,161,262 |

Funds Applied

| | |
|---|---|
| Decrease in Third Party Payable | 81,959 |
| Increase in Other Receivables | 437,040 |
| Capital Expenditures | 6,191,587 |
| Appropriation Receivable | 45,911 |
| Investment Income - Trustee-held Assets | 1,386,006 |
| Transfer Third Party Reserve | 7,810,480 |
| Transfers to Reserves - Bond Retirement | 2,269,168 |
| Total Funds Applied | $18,222,151 |
| Operating Cash Made Available from Operations | $26,939,112 |

| | |
|---|---|
| Total Operating Cash Available: | 26,939,112 |
| Transfers for Bond Retirement: | 2,269,168 |
| Transfers to Plant: | 6,191,587 |
| Total Cash Generated from Operations: | 35,399,867 |

Current Cash Summary

| | |
|---|---|
| Operating Cash | $26,939,112 |
| Operating Cash to Working Capital Reserve | (18,249,165) |
| Reserve Cash for Liability to Third Party Payors | 12,804,862 |
| Reserve Cash for Short Term Debt Retirement | 2,500,000 |
| Reserve Cash for Bond Principal & Interest Payment | 4,739,816 |
| | 28,734,625 |
| Less Interest Income on Reserves and Grant | (8,617,665) |
| Total Current Cash | $20,116,960 |
| BALANCE SHEET - CURRENT OPERATING CASH | 20,116,960 |

# PRELIMINARY

University of Minnesota Hospital & Clinic

Statement of Changes in Fund Balance

For the Period July 1, 1989 through June 30, 1990

| | OPERATING FUND | CURRENT DEBT SERVICE FUND | BOARD DESIGNATED FUND | PLANT FUND | TRUSTEE FUND | TOTAL UNRESTRICTED FUNDS |
|---|---|---|---|---|---|---|
| **UNRESTRICTED FUNDS** | | | | | | |
| Beginning Balance | $42,910,800 | $8,484,143 | $92,706,001 | $19,502,374 | $18,870,093 | $182,473,411 |
| **Net Income** | | | | | | |
| Excess of Revenue over Expense | 11,901,994 | | | | | |
| Interest Income on Reserves | | | 8,616,216 | | | |
| Interest Income on Nursing Grant | | | 1,449 | | | |
| Depreciation Expense | | | | (17,737,818) | | |
| Loss on Disposal of Assets | | | | (108,221) | | |
| Interest Income on Trustee Held Fund | | | | | 1,386,006 | |
| Amortization of Deferred Bond Expense | | | | (222,103) | | |
| Interest Income on Bond Proceeds | | | 2,079,672 | | 293,750 | |
| Total Income | | | | | | 6,210,945 |
| **Less Expense** | | | | | | |
| University Support: G & A | 190,707 | | | | | 190,707 |
| **Transfers Between Funds** | | | | | | |
| Major Building Projects- Hosp. | | | (6,264,867) | 6,264,867 | | |
| Capital Expenditures | (5,632,149) | | | 5,632,149 | | |
| Establishment of Capital Lease | (2,505,000) | | 2,505,000 | | | |
| Major Equipment Requisition | (559,438) | | | 559,438 | | |
| Adjustment to Shared Buildings | | | | (318,065) | | (318,065) |
| Bond Interest Payment | 12,278,453 | (11,289,321) | | | (989,132) | |
| Bond Interest Expense Funding | (8,817,404) | 11,190,826 | (2,079,672) | | (293,750) | |
| Bond Principal Payment | 2,215,000 | (2,215,000) | | | | |
| Bond Principal Funding | (2,269,168) | 2,269,168 | | | | |
| Decrease in Short Term Note Funding | | (1,200,000) | | 1,200,000 | | |
| Trustee Income held by Campus | | | 155,932 | | (155,932) | |
| Transfer to Microbiology/Public Health | | | (50,000) | | | (50,000) |
| Donations to Plant Fund | | | | 300,000 | | 300,000 |
| Res. Gift Fund Committment to Plant | | | | 14,996 | | 14,996 |
| Funding Working Capital | (18,249,165) | | 18,249,165 | | | |
| Ending Balance | $31,464,630 | $7,239,816 | $115,918,896 | $15,087,616 | $19,111,035 | $188,821,994 |

| | GIFT | ENDOWMENT | TOTAL |
|---|---|---|---|
| **RESTRICTED FUNDS** | | | |
| Beginning Balance | $3,289,414 | $2,161,347 | $5,450,761 |
| Income | 1,685,039 | 218,925 | 1,903,964 |
| Disbursements | (608,406) | (293) | (608,699) |
| Ending Balance | $4,366,047 | $2,379,979 | $6,746,026 |

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

July 18, 1990

TO: UMHC Board of Governors, Finance Committee

FROM: Clifford P. Fearing
Senior Associate Director, UMHC

SUBJECT: Bad Debts - Fourth Quarter
Fiscal Year 1989-90

The total amount recommended for bad debt for Hospital and Clinic accounts receivable during the fourth quarter of 1989-90 is $817,801.52 represented by 1,376 accounts. Bad debt recoveries during the period amounted to $83,288.85 (25 accounts) leaving a net charge-off of $734,512.67.

The net bad debts of $734,512.67 for the quarter were 0.92% of gross charges. This compares to a budgeted level of bad debts of 1.22% ($1,074,767).

A statistical summary is attached along with a detailed description of losses over $2,000.00 and recoveries over $200 for each month of the fourth quarter.

Total fiscal year bad debts have amounted to $2,366,694.02 represented by 6,003 accounts. Recoveries during the fiscal year amounted to $119,137.39 (168 accounts), leaving a net charge-off of $2,247,556.63.

The net bad debts of $2,247,556.63 for the fiscal year were 0.70% of gross charges. This compares to a budgeted level of bad debts of 1.22% ($4,171,000).

Along with the quarter attachments, we have also included a fiscal year statistical summary and a breakdown of bad debts by residence and admitting clinical services.

CPF:slw

Attachments

# UMHC Hospital Billing Department

**Bad Debt Statistics:** April 1990 through June 1990
In five ranges of account size

| | Less Than $100 | # of Accounts | $100 - $999 | # of Accounts | $1000 - $1999 | # of Accounts | $2000 - $9,999 | # of Accounts | $10,000 + | # of Accounts | Total Amount | Total # of Accounts |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Inpatient** | | | | | | | | | | | | |
| Bad Debt (701) Write-Offs | $642.32 | 19 | $17,321.89 | 40 | $15,082.13 | 11 | $108,498.10 | 32 | $193,580.29 | 4 | $335,124.73 | 106 |
| Bad Debt (702) Charity Care | $630.66 | 11 | $14,291.59 | 35 | $12,313.77 | 8 | $63,751.00 | 10 | $127,301.80 | 4 | $218,288.82 | 68 |
| Total | $1,272.98 | 30 | $31,613.48 | 75 | $27,395.90 | 19 | $172,249.10 | 42 | $320,882.09 | 8 | $553,413.55 | 174 |
| Recoveries | ($158.10) | 5 | ($205.00) | 1 | | | | | | | ($363.10) | 6 |
| Net Total | $1,114.88 | 30 * | $31,408.48 | 75 * | $27,395.90 | 19 * | $172,249.10 | 42 * | $320,882.09 | 8 * | $553,050.45 | 174 * |
| **Outpatient** | | | | | | | | | | | | |
| Bad Debt (701) Write-Offs | $18,740.33 | 573 | $81,364.76 | 319 | $10,662.22 | 8 | $36,397.62 | 10 | $14,638.89 | 1 | $161,803.82 | 911 |
| Bad Debt (702) Write-Offs | $5,244.63 | 119 | $47,407.33 | 151 | $18,173.33 | 12 | $31,758.86 | 9 | | | $102,584.15 | 291 |
| Total | $23,984.96 | 692 | $128,772.09 | 470 | $28,835.55 | 20 | $68,156.48 | 19 | $14,638.89 | 1 | $264,387.97 | 1202 |
| Recoveries | ($711.99) | 15 | ($1,382.56) | 3 | | | | | ($80,831.20) | 1 | ($82,925.75) | 19 |
| Net Total | $23,272.97 | 692 * | $127,389.53 | 470 * | $28,835.55 | 20 * | $68,156.48 | 19 * | ($66,192.31) | 1 * | $181,462.22 | 1202 * |
| **Total IP and OP Bad Debt** | | | | | | | | | | | | |
| Bad Debt (701) Write-offs | $19,382.65 | 592 | $98,686.65 | 359 | $25,744.35 | 19 | $144,895.72 | 42 | $208,219.18 | 5 | $496,928.55 | 1017 |
| Bad Debt (702) Charity Care | $5,875.29 | 130 | $61,698.92 | 186 | $30,487.10 | 20 | $95,509.86 | 19 | $127,301.80 | 4 | $320,872.97 | 359 |
| Total | $25,257.94 | 722 | $160,385.57 | 545 | $56,231.45 | 39 | $240,405.58 | 61 | $335,520.98 | 9 | $817,801.52 | 1376 |
| Recoveries | ($870.09) | 20 | ($1,587.56) | 4 | $0.00 | 0 | $0.00 | 0 | ($80,831.20) | 1 | ($83,288.85) | 25 |
| **Total Net Bad Debt** | $24,387.85 | 722 * | $158,798.01 | 545 * | $56,231.45 | 39 * | $240,405.58 | 61 * | $254,689.78 | 9 * | $734,512.67 | 1376 * |
| **Dollars Budgeted** | | | | | | | | | | | $1,074,766.00 | |

* Net total of accounts does not include recoveries.

# UMHC Hospital Billing Department

**Bad Debt Statistics:** April 1990 through June 1990
In two ranges of account size

| | Under $2000 | # of Accounts | | Over $2000 | # of Accounts | | Total Amount | Total # of Accounts | |
|---|---|---|---|---|---|---|---|---|---|
| **Inpatient** | | | | | | | | | |
| Bad Debt (701) Write-Offs | $33,046.34 | 70 | | $302,078.39 | 36 | | $335,124.73 | 106 | |
| Bad Debt (702) Charity Care | $27,236.02 | 54 | | $191,052.80 | 14 | | $218,288.82 | 68 | |
| Total | $60,282.36 | 124 | | $493,131.19 | 50 | | $553,413.55 | 174 | |
| Recoveries | ($363.10) | 6 | | $0.00 | 0 | | ($363.10) | 6 | |
| Net Total | $59,919.26 | 124 | * | $493,131.19 | 50 | * | $553,050.45 | 174 | * |
| **Outpatient** | | | | | | | | | |
| Bad Debt (701) Write-Offs | $110,767.31 | 900 | | $51,036.51 | 11 | | $161,803.82 | 911 | |
| Bad Debt (702) Write-Offs | $70,825.29 | 282 | | $31,758.86 | 9 | | $102,584.15 | 291 | |
| Total | $181,592.60 | 1182 | | $82,795.37 | 20 | | $264,387.97 | 1202 | |
| Recoveries | ($2,094.55) | 18 | | ($80,831.20) | 1 | | ($82,925.75) | 19 | |
| Net Total | $179,498.05 | 1182 | * | $1,964.17 | 20 | * | $181,462.22 | 1202 | * |
| **Total IP and OP Bad Debt** | | | | | | | | | |
| Bad Debt (701) Write-offs | $143,813.65 | 970 | | $353,114.90 | 47 | | $496,928.55 | 1017 | |
| Bad Debt (702) Charity Care | $98,061.31 | 336 | | $222,811.66 | 23 | | $320,872.97 | 359 | |
| Total | $241,874.96 | 1306 | | $575,926.56 | 70 | | $817,801.52 | 1376 | |
| Recoveries | ($2,457.65) | 24 | | ($80,831.20) | 1 | | ($83,288.85) | 25 | |
| **Total Net Bad Debt** | $239,417.31 | 1306 | * | $495,095.36 | 70 | * | $734,512.67 | 1376 | * |
| **Dollars Budgeted** | | | | | | | $1,074,766.00 | | |

* Net total of accounts does not include recoveries.

## UMHC Hospital Billing Department

Bad Debt Statistics: Fourth Quarter and Year-to-Date, Fiscal Year 1990
By State

| State | Fourth Quarter Amount | # of Accounts | Y-T-D Total Amount | Total # of Accounts |
|---|---|---|---|---|
| Alabama | | | 643.13 | 1 |
| Alaska | | | 73.46 | 2 |
| Arizona | | | 2,278.15 | 12 |
| Arkansas | 148,368.22 | 5 | 148,368.22 | 5 |
| California | 1,262.86 | 8 | 9,860.88 | 48 |
| Colorado | 1,775.62 | 6 | 5,976.17 | 55 |
| Connecticut | | | 172.50 | 2 |
| Delaware | | | 25.00 | 1 |
| Dist. of Colombia | | | 74.00 | 1 |
| Florida | 12,370.55 | 34 | 17,857.70 | 57 |
| Georgia | | | 40.60 | 3 |
| Hawaii | | | 0.00 | 0 |
| Idaho | 27,492.52 | 6 | 27,518.18 | 7 |
| Illinois | 618.48 | 4 | 11,867.21 | 62 |
| Indiana | 779.51 | 6 | 2,511.58 | 23 |
| Iowa | 2,086.22 | 10 | 11,036.68 | 35 |
| Kansas | 221.43 | 2 | 450.76 | 5 |
| Kentucky | | | 2,397.85 | 2 |
| Louisiana | | | 2,795.93 | 9 |
| Maine | | | 0.00 | 0 |
| Maryland | | | 0.00 | 0 |
| Massachusetts | 42.16 | 1 | 728.66 | 7 |
| Michigan | | | 4,000.45 | 21 |
| Minnesota | 402,582.73 | 1,197 | 1,521,920.59 | 5248 |
| Mississippi | | | 0.00 | 0 |
| Missouri | 15.50 | 1 | 10,414.20 | 11 |
| Montana | 650.86 | 3 | 5,586.38 | 8 |
| Nebraska | | | 8,648.58 | 22 |
| Nevada | | | 605.13 | 12 |
| New Hampshire | | | 1,128.30 | 2 |
| New Jersey | | | 577.49 | 3 |
| New Mexico | | | 0.00 | 0 |
| New York | 612.86 | 5 | 7,046.88 | 29 |
| North Carolina | 167.40 | 2 | 507.92 | 3 |
| North Dakota | 10,250.47 | 15 | 63,710.51 | 83 |
| Ohio | 651.56 | 4 | 4,475.32 | 15 |

## UMHC Hospital Billing Department

Bad Debt Statistics: Fourth Quarter and Year-to-Date, Fiscal Year 1990
By State

| State | Fourth Quarter Amount | # of Accounts | Y-T-D Total Amount | Total # of Accounts |
|---|---|---|---|---|
| Oklahoma | | | 7,474.98 | 6 |
| Oregon | 478.49 | 2 | 620.79 | 4 |
| Pennsylvania | 1,537.94 | 5 | 78,396.33 | 12 |
| Puerto Rico | | | 68.30 | 1 |
| Rhode Island | | | 4.50 | 1 |
| South Carolina | 122.65 | 1 | 122.65 | 1 |
| South Dakota | 167,087.14 | 95 | 251,687.33 | 173 |
| Tennessee | 201.98 | 1 | 255.98 | 2 |
| Texas | 48.21 | 1 | 14,681.62 | 17 |
| Utah | 540.00 | 1 | 1,191.03 | 6 |
| Vermont | | | 0.00 | 0 |
| Virginia | | | 23.30 | 1 |
| Washington | | | 3,261.95 | 4 |
| West Virginia | | | 0.00 | 0 |
| Wisconsin | 16,867.94 | 45 | 84,445.58 | 225 |
| Wyoming | 1,292.70 | 4 | 1,292.70 | 4 |
| Out-of-Country | 1,822.35 | 6 | 16,786.77 | 14 |
| Total | 799,948.35 | 1,470 | 2,333,612.22 | 6265 |
| Medicare Bad Debt* | 266.38 | -99 | (51,251.14) | -290 |
| Legal Settlements | 24,966.65 | 3 | 66,640.71 | 12 |
| Bad Debt Agcy Und $50 | | | 285.91 | 5 |
| Bad Debt - Med NC Chgs | 5,723.21 | 2 | 30,509.39 | 11 |
| Grand Total | 830,904.59 | 1,376 | 2,379,797.09 | 6003 |
| Recoveries | (96,391.92) | 26 | (132,240.46) | 169 |
| Net Total | 734,512.67 | 1,376 | 2,247,556.63 | 6,003 |

* NOTE: Medicare Bad Debts are included in the State Breakdown but are no longer included as a Bad Debt.

## UMHC Hospital Billing Department

**Bad Debt Statistics:** Fourth Quarter and Year-to-Date, Fiscal Year 1990
By Service

| Admitting Service | Fourth Quarter Amount | # of Accounts | Y-T-D Total Amount | Total # of Accounts |
|---|---|---|---|---|
| Anesthesiology | | | 0.00 | 0 |
| Clinical Research | 4,381.18 | 1 | 9,910.37 | 5 |
| Dentistry | | | 0.00 | 0 |
| Dermatology | 604.50 | 1 | 604.50 | 1 |
| Family Practice | | | 8,230.98 | 1 |
| OB | 174.37 | 3 | 187.87 | 4 |
| NB | | | 326.22 | 1 |
| GYN | 2,626.82 | 4 | 9,497.71 | 12 |
| GYN-Oncology | 3,628.67 | 3 | 41,437.45 | 29 |
| Lab Medicine & Pathology | | | 0.00 | 0 |
| Medicine-Blue | 12,659.08 | 4 | 20,662.30 | 14 |
| Green | 2,513.13 | 1 | 18,954.18 | 12 |
| Masonic (Onc) | 34,947.10 | 14 | 51,249.84 | 33 |
| Purple | 763.60 | 1 | 65,363.81 | 5 |
| Red A | 6,475.67 | 6 | 54,583.94 | 27 |
| Red B | | | 3,964.15 | 2 |
| Rose A | 986.06 | 1 | 6,552.14 | 4 |
| Rose B | 4,957.26 | 4 | 5,629.96 | 6 |
| White A | 3,955.31 | 7 | 20,683.96 | 30 |
| White B | 10,682.90 | 8 | 51,874.72 | 24 |
| White C | 12.60 | 1 | 12.60 | 1 |
| Yellow A | 13,979.73 | 7 | 21,244.29 | 16 |
| Yellow B | 2,201.92 | 3 | 13,511.06 | 12 |
| Neurology | 689.59 | 2 | 10,754.92 | 16 |
| Neuro-epilepsy | | | 0.00 | 0 |
| Neurosurgery | 19,265.62 | 8 | 71,140.93 | 32 |
| New Born-General | | | 8,815.56 | 10 |
| Obstetrics-General | 3,752.49 | 4 | 43,047.51 | 19 |
| -Midwife | | | 751.71 | 1 |
| Ophthalmology | 100.00 | 1 | 7,780.85 | 10 |
| Orthopaedic Surgery | 36,890.23 | 13 | 53,899.20 | 37 |
| Otolaryngology | 21,186.10 | 7 | 29,079.75 | 15 |
| Pediatrics-General | 137,167.44 | 28 | 194,987.52 | 76 |
| Dentistry | 347.31 | 1 | 347.31 | 1 |
| Dermatology | | | 0.00 | 0 |
| Neonatology | | | 650.00 | 1 |

# UMHC Hospital Billing Department

Bad Debt Statistics: Fourth Quarter and Year-to-Date, Fiscal Year 1990
By Service

| Admitting Service | Fourth Quarter Amount | # of Accounts | Y-T-D Total Amount | Total # of Accounts |
|---|---|---|---|---|
| Neurology | | | 45,324.21 | 7 |
| Neurosurgery | | | 2,019.08 | 1 |
| Opthalmology | | | 10,220.30 | 4 |
| Orthopaedics | 507.88 | 2 | 867.88 | 3 |
| Otolaryngology | 12,045.49 | 3 | 12,427.99 | 5 |
| Surgery Green | 322.82 | 1 | 7,228.49 | 6 |
| Surgery Orange | | | 0.00 | 0 |
| Surg. Transplant | | | 504.23 | 3 |
| Urology | | | 0.00 | 0 |
| Physical Med. & Rehab. | 1,100.00 | 1 | 2,911.96 | 6 |
| Psychiatry-Child | | | 1,523.88 | 3 |
| -Adult | 16,755.11 | 13 | 87,043.11 | 51 |
| Radiology | | | 0.00 | 0 |
| Surgery-Blue | 176,926.17 | 12 | 271,414.09 | 42 |
| Orange | 13,207.16 | 3 | 35,909.20 | 19 |
| Purple | | | 30,369.60 | 18 |
| Red | 6,449.32 | 1 | 28,322.58 | 10 |
| White | 2,404.61 | 7 | 13,470.32 | 20 |
| Therapeutic Radiology | | | 0.00 | 0 |
| Urology | 5,127.00 | 4 | 39,161.48 | 26 |
| Unknown | 1,641.31 | 2 | 44,878.18 | 14 |
| Outpatient | 238,512.80 | 1,288 | 874,278.33 | 5570 |
| Total | 799,948.35 | 1,470 | 2,333,612.22 | 6,265 |
| Medicare Bad Debt* | 266.38 | -99 | (51,251.14) | -290 |
| Legal Settlements | 24,966.65 | 3 | 66,640.71 | 12 |
| Bad Debt Agcy Und $50 | | | 285.91 | 5 |
| Bad Debt - Med NC Chgs | 5,723.21 | 2 | 30,509.39 | 11 |
| Grand Total | 830,904.59 | 1,376 | 2,379,797.09 | 6003 |
| Recoveries | (96,391.92) | 26 | (132,240.46) | 169 |
| Net Total | 734,512.67 | 1,376 | 2,247,556.63 | 6,003 |

* NOTE: Medicare Bad Debts are included in the State Breakdown but are no longer included as a Bad Debt.

# UMHC Hospital Billing Department

**Bad Debt Statistics:** July 1989 through June 1990
In five ranges of account size

| | Less Than $100 | # of Accounts | $100 - $999 | # of Accounts | $1000 - $1999 | # of Accounts | $2000 - $9,999 | # of Accounts | $10,000 + | # of Accounts | Total Amount | Total # of Accounts |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Inpatient** | | | | | | | | | | | | |
| Bad Debt (701) Write-Offs | $3,589.53 | 104 | $88,309.82 | 203 | $44,030.29 | 32 | $302,690.44 | 75 | $487,295.83 | 15 | $925,915.91 | 429 |
| Bad Debt (702) Charity Care | $1,929.95 | 39 | $50,650.01 | 113 | $34,251.50 | 23 | $157,858.80 | 38 | $249,551.79 | 11 | $494,242.05 | 224 |
| Total | $5,519.48 | 143 | $138,959.83 | 316 | $78,281.79 | 55 | $460,549.24 | 113 | $736,847.62 | 26 | $1,420,157.96 | 653 |
| Recoveries | ($476.14) | 16 | ($2,713.32) | 6 | $0.00 | 0 | ($3,031.46) | 1 | $0.00 | 0 | ($6,220.92) | 23 |
| Net Total | $5,043.34 | 143 • | $136,246.51 | 316 • | $78,281.79 | 55 • | $457,517.78 | 113 • | $736,847.62 | 26 • | $1,413,937.04 | 653 • |
| **Outpatient** | | | | | | | | | | | | |
| Bad Debt (701) Write-Offs | $101,149.00 | 3074 | $350,130.42 | 1309 | $53,518.65 | 39 | $147,981.73 | 35 | $34,254.78 | 2 | $687,034.58 | 4459 |
| Bad Debt (702) Write-Offs | $18,532.41 | 443 | $118,205.31 | 392 | $47,085.11 | 33 | $75,678.65 | 23 | $0.00 | 0 | $259,501.48 | 891 |
| Total | $119,681.41 | 3517 | $468,335.73 | 1701 | $100,603.76 | 72 | $223,660.38 | 58 | $34,254.78 | 2 | $946,536.06 | 5350 |
| Recoveries | ($3,374.16) | 121 | ($5,252.77) | 19 | ($2,078.01) | 2 | ($2,318.79) | 1 | ($99,892.74) | 2 | ($112,916.47) | 145 |
| Net Total | $116,307.25 | 3517 • | $463,082.96 | 1701 • | $98,525.75 | 72 • | $221,341.59 | 58 • | ($65,637.96) | 2 • | $833,619.59 | 5350 • |
| **Total IP and OP Bad Debt** | | | | | | | | | | | | |
| Bad Debt (701) Write-offs | $104,738.53 | 3178 | $438,440.24 | 1512 | $97,548.94 | 71 | $450,672.17 | 110 | $521,550.61 | 17 | $1,612,950.49 | 4888 |
| Bad Debt (702) Charity Care | $20,462.36 | 482 | $168,855.32 | 505 | $81,336.61 | 56 | $233,537.45 | 61 | $249,551.79 | 11 | $753,743.53 | 1115 |
| Total | $125,200.89 | 3660 | $607,295.56 | 2017 | $178,885.55 | 127 | $684,209.62 | 171 | $771,102.40 | 28 | $2,366,694.02 | 6003 |
| Recoveries | ($3,850.30) | 137 | ($7,966.09) | 25 | ($2,078.01) | 2 | ($5,350.25) | 2 | ($99,892.74) | 2 | ($119,137.39) | 168 |
| **Total Net Bad Debt** | $121,350.59 | 3660 • | $599,329.47 | 2017 • | $176,807.54 | 127 • | $678,859.37 | 171 • | $671,209.66 | 28 • | $2,247,556.63 | 6003 • |
| **Dollars Budgeted** | | | | | | | | | | | $4,170,999.00 | |

• Net total of accounts does not include recoveries.

## UMHC Hospital Billing Department

**Bad Debt Statistics:** July 1989 through June 1990
In two ranges of account size

| | Under $2000 | # of Accounts | Over $2000 | # of Accounts | Total Amount | Total # of Accounts |
|---|---|---|---|---|---|---|
| **Inpatient** | | | | | | |
| Bad Debt (701) Write-Offs | $135,929.64 | 339 | $789,986.27 | 90 | $925,915.91 | 429 |
| Bad Debt (702) Charity Care | $86,831.46 | 175 | $407,410.59 | 49 | $494,242.05 | 224 |
| Total | $222,761.10 | 514 | $1,197,396.86 | 139 | $1,420,157.96 | 653 |
| Recoveries | ($3,189.46) | 22 | ($3,031.46) | 1 | ($6,220.92) | 23 |
| Net Total | $219,571.64 | 514 * | $1,194,365.40 | 139 * | $1,413,937.04 | 653 * |
| **Outpatient** | | | | | | |
| Bad Debt (701) Write-Offs | $504,798.07 | 4422 | $182,236.51 | 37 | $687,034.58 | 4459 |
| Bad Debt (702) Write-Offs | $183,822.83 | 868 | $75,678.65 | 23 | $259,501.48 | 891 |
| Total | $688,620.90 | 5290 | $257,915.16 | 60 | $946,536.06 | 5350 |
| Recoveries | ($10,704.94) | 142 | ($102,211.53) | 3 | ($112,916.47) | 145 |
| Net Total | $677,915.96 | 5290 * | $155,703.63 | 60 * | $833,619.59 | 5350 * |
| **Total IP and OP Bad Debt** | | | | | | |
| Bad Debt (701) Write-offs | $640,727.71 | 4761 | $972,222.78 | 127 | $1,612,950.49 | 4888 |
| Bad Debt (702) Charity Care | $270,654.29 | 1043 | $483,089.24 | 72 | $753,743.53 | 1115 |
| Total | $911,382.00 | 5804 | $1,455,312.02 | 199 | $2,366,694.02 | 6003 |
| Recoveries | ($13,894.40) | 164 | ($105,242.99) | 4 | ($119,137.39) | 168 |
| **Total Net Bad Debt** | $897,487.60 | 5804 * | $1,350,069.03 | 199 * | $2,247,556.63 | 6003 * |
| **Dollars Budgeted** | | | | | $4,170,999.00 | |

NOTE: More than $2,000 amount includes legal settlements totaling $0.00
* Net total of accounts does not include recoveries.

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

**MEETING OF THE**
**BOARD OF GOVERNORS FINANCE COMMITTEE**
**Wednesday, August 29, 1990**
**10:00 - 11:15 a.m.**
**8-106 University Hospital**

**COMMITTEE MEMBERS**

Jerry Meilahn, Chair
Edward Ciriacy, M.D.
Robert Dickler
Clifford Fearing
Elwin Fraley, M.D.
Nellie Johnson
David Lentz
Margaret Matalamaki
Roger Paschke
Vic Vikmanis

**A G E N D A**

| | | |
|---|---|---|
| I. | **Opening of Meeting and Approval of Minutes of Finance Committee meeting held 7/25/90 (Approval)** pp. 1 - 3 | Mr. Jerry Meilahn |
| II. | **July 31, 1990 Financial Statements (Information)** pp. 4 - 10 | Mr. Clifford Fearing |
| III. | **Group Investment Pool (Information)** | Mr. Clifford Fearing |
| IV. | **Cardiac Catheterization Lab Expansion (Information)** pp. 11 - 17 | Mr. Greg Hart |
| IV. | **Renewal Project Review Update (Information)** | Mr. Greg Hart |
| V. | **Union Organizing Activity (Information)** | Mr. Greg Hart |
| VI. | **Other** | |

THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BOARD OF GOVERNORS FINANCE COMMITTEE
July 25, 1990

MINUTES

**ATTENDANCE:**

| | |
|---|---|
| Present: | Jerry Meilahn, Chair<br>Edward Ciriacy, M.D.<br>Robert Dickler<br>Clifford Fearing<br>Nellie Johnson<br>David Lentz<br>Margaret Matalamaki<br>Roger Paschke |
| Not Present: | Elwin Fraley, M.D.<br>Vic Vikmanis |
| Staff: | Greg Hart<br>Teri Holberg<br>Nels Larson<br>Shannon Lorbiecki |

**CALL TO ORDER:**

The Finance Committee was called to order by Mr. Jerry Meilahn on July 25, 1990 at 12:05 P.M.

**APPROVAL OF THE MINUTES:**

The Board of Governors Finance Committee seconded and passed a motion to approve the minutes of the June 27, 1990 meeting as written.

**JULY 1, 1989 THROUGH JUNE 30, 1990 FINANCIALS:**

Mr. Clifford Fearing stated what was being reported to the Committee was a preliminary year-end financial statement because the University had not closed its books as of July 25. Mr. Fearing stated there are not expected to be any substantial changes to the statement.

Mr. Fearing reported to the Finance Committee the month of June inpatient admissions totaled 1,508, which was 138 below budget; average length of stay was 7.8 days; patient days totaled 11,774, which were 1,229 days below budget. The June average daily census was 394, which was below the budgeted level of 433. Clinic visits for the month of June were reported to be 6.1% under budget, bringing year-to-date clinic visits 2.7% under budget.

The Hospital's year-to-date Statement of Operations showed revenues over expenses by $6,210,945 a favorable variance of $4,578,945. Mr. Fearing stated ancillary revenue was 6.6% under budget and operating expenditures were reported to be 6.1% below budget.

Lastly, Mr. Fearing reported as of June 30 the balance of accounts receivable totaled $88,676,838 and represented 96.3 days of revenue outstanding.

Mr. Fearing stated a more detailed report of year end will be presented to the Committee after the final audit is received by Coopers and Lybrand.

**CAPITAL PLAN - UPDATE:**

Mr. Dickler reviewed the results of the financial analysis that was reported last month. He stated if the Hospital's operating position continued in its present manner by 1998 the Hospital would show a $45,000,000 shortfall between minimum reserve levels and actual reserve levels. As a result of this predicted shortfall the capital plan is presently being reevaluated.

One of the areas of the capital plan that is being reevaluated is the second phase of the renewal project. Three options for the renewal project are being developed. They are: 1) proceeding with the renewal project as planned, or some modification that involves a new building, 2) meet programmatic needs or at least the key programmatic needs in the renewal project (Psych, OB, Rehabilitation, Urology) using only existing facilities, and 3) building two floors on Unit J and renovating portions of Mayo. Mr. Dickler stated the options will be reviewed at the Clinical Chiefs Retreat on August 17.

A further update on the renewal project will be presented at the August Board meeting.

**FOURTH QUARTER, 1989-90 BAD DEBTS:**

Mr. Fearing reported the bad debts for the fourth quarter totaled $817,801.52 represented by 1,376 accounts. Recoveries amount to $83,288.85, leaving a net charge-off of $734,512.67. This amount represents 0.92% of gross charges and compares to a budgeted level of 1.22%.

The Finance Committee seconded and passed a motion to endorse the Fourth Quarter 1989-90 Bad Debt report as submitted.

Mr. Fearing informed the Committee a firm was recently hired who will assist patients in making application for medical assistance coverage.

FINANCE COMMITTEE CALENDAR:

There will not be a Finance Committee on August 22, instead there will be one on August 29th from 10:00-11:30 a.m. in the Board Room. There will also not be a Finance Committee meeting in September because the Board of Governors Retreat will take place October 1 and 2.

Effective October 24, 1990 the Finance Committee meeting will begin at 12:30 with a buffet lunch served at 12:00.

CHAMP:

Mr. Dickler informed the Committee of discussions, which have been held with the clinical departments medicine, surgery and pediatrics, to move CHAMP into a separate legal status. From an ownership standpoint there would be very little change, but from an operational standpoint this would permit a much larger enterprise to be developed, and it would be separate from the University of Minnesota. Mr. Dickler stated after approval by the Board a joint venture would be developed with this new organization and the University Hospital.

There being no further discussion, the July 25, 1990 meeting was adjourned at 1:50 P.M.

Respectfully submitted,

Teri Holberg

Teri Holberg
Recording Secretary

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

August 29, 1990

**TO:** Board of Governors Finance Committee

**FROM:** Clifford P. Fearing

**SUBJECT:** Report of Operations for the Period
**July 1, 1990 through July 31, 1990**

The Hospital's operations for the month of July reflect inpatient admissions, patient days, and clinic visits activity above budget. Both ancillary revenue and routine revenue are above budgeted levels for the month.

**INPATIENT CENSUS:** For the month of July, inpatient admissions totaled 1,631 which was 138 above budgeted admissions of 1,493. Our overall average length of stay for the month was 8.1 days. Patient days for July totaled 12,687 and were 601 days above budget. The increase in admission levels over budget was seen in almost all areas with the most significant ones being in Surgery, Medicine, Pediatrics, and Adult Psych.

**To recap our year-to-date inpatient census:**

| | 1989-90 Actual | 1990-91 Budget | 1990-91 Actual | Variance | % Var |
|---|---|---|---|---|---|
| Admissions | 1,576 | 1,493 | 1,631 | 138 | 9.2 |
| Patient Days | 13,050 | 12,086 | 12,687 | 601 | 5.0 |
| Avg Length of Stay | 8.4 | 8.1 | 8.1 | 0.0 | 0.0 |
| Avg Daily Census | 421.0 | 389.9 | 409.3 | 19.4 | 5.0 |
| Percent Occupancy | 71.8 | 67.6 | 71.3 | 3.7 | 5.5 |

**OUTPATIENT CENSUS:** Clinic visits for the month of July totaled 23,509 which was 2,323, or 11.0%, more than budgeted visits of 21,186. Visits were significantly above budget in Adult Psych, Emergency Room, Medicine, Endoscopy, and Urology. Family Practice and Child Psych reported visits significantly below budgeted levels. Community University Health Care Center (CUHCC) visits for the month of July totaled 3,974 which was 470, or 10.6%, under budgeted visits of 4,444, while Home Health visits of 848 for the month were 105, or 11.0%, below budgeted visits of 953.

**To recap our year-to-date outpatient census:**

| | 1989-90 Actual | 1990-91 Budget | 1990-91 Actual | Variance | % Var |
|---|---|---|---|---|---|
| Clinic Visits | 21,933 | 21,186 | 23,509 | 2,323 | 11.0 |
| CUHCC Visits | 4,149 | 4,444 | 3,974 | (470) | (10.6) |
| HHA Visits | 865 | 953 | 848 | (105) | (11.0) |

**FINANCIAL OPERATIONS:** The Hospital's Statement of Operations shows revenues over expenses by $2,299,862, a favorable variance of $2,730,450. Patient care charges through July totaled $30,088,736, which was 5.2% over budget. Routine revenue was 3.0% above budget and reflects our favorable inpatient census variance.

Ancillary revenue was $1,221,271 above budget (6.0%) and primarily reflected the favorable variance in both inpatient and outpatient census. Inpatient ancillary revenue averaged $9,350 per admission compared to the budgeted average of $9,842 per admission. Outpatient revenue per clinic visit averaged $262 compared to the budgeted average of $259.

Operating expenditures through July totaled $23,964,562 and were $1,030,885 (4.1%) below budgeted levels of $24,995,447. The overall favorable variance is primarily due to the delay in the Renewal Project Phase II and the resultant lack of relocation and rental costs.

**ACCOUNTS RECEIVABLE:** The balance in patient accounts receivable as of July 31, 1990, totaled $89,991,945 and represented 94.9 days of revenue outstanding. The overall decrease in our patient receivables in July of 1.4 days occurred primarily in Commercial Insurance.

**CONCLUSION:** The Hospital's overall operating position is positive and above budgeted levels for July. While we have seen improvement in our expenditure levels, we are continuing to closely monitor our demand for services and make those operating changes that are necessary and appropriate to bring our expense levels into line with net revenues.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

EXECUTIVE SUMMARY OF FINANCIAL ACTIVITY

FOR THE PERIOD JULY 1, 1990 TO JULY 31, 1990

| | 1990-91 Budgeted | 1990-91 Actual | Variance Over/-Under Budget | Variance % |
|---|---|---|---|---|
| Patient Care Charges | $28,611,455 | $30,088,736 | $1,477,281 | 5.2% |
| Deductions from Charges | 7,131,234 | 7,032,990 | (98,244) | -1.4% |
| Other Operating Revenue | 857,328 | 910,012 | 52,684 | 6.1% |
| Total Operating Revenue | 22,337,549 | 23,965,758 | 1,628,209 | 7.3% |
| Total Expenditures | 24,995,447 | 23,964,562 | (1,030,885) | -4.1% |
| Net Operating Revenue | (2,657,898) | 1,196 | 2,659,094 | 100.0% |
| Non-Operating Revenue and Expenses | 2,227,310 | 2,298,666 | 71,356 | 3.2% |
| Revenue Over/Under Expense | ($430,588) | $2,299,862 | $2,730,450 | |

| | 1990-91 Budgeted | 1990-91 Actual | Variance Over/-Under Budget | Variance % |
|---|---|---|---|---|
| Admissions | 1,493 | 1,631 | 138 | 9.2% |
| Patient Days | 12,086 | 12,687 | 601 | 5.0% |
| Average Daily Census | 389.9 | 409.3 | 19.4 | 5.0% |
| Average Length of Stay | 8.1 | 8.1 | 0.0 | 0.0% |
| Percentage Occupancy | 67.6 | 71.3 | 3.7 | 5.5% |
| Outpatient Clinic Visits | 21,186 | 23,509 | 2,323 | 11.0% |

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED JULY 1, 1990 TO JULY 31, 1990

| ANNUAL BUDGET | PATIENT CARE CHARGES | BUDGETED | ACTUAL | OVER/(UNDER) BUDGET | VARIANC % |
|---|---|---|---|---|---|
| $96,007,000 | ROUTINE | $8,420,272 | $8,676,282 | $256,010 | 3.0% |
| 238,998,000 | ANCILLARY | 20,191,183 | 21,412,454 | 1,221,271 | 6.0% |
| $335,005,000 | GROSS CHARGES | $28,611,455 | $30,088,736 | $1,477,281 | 5.2% |
| | DEDUCTIONS FROM CHARGES | | | | |
| $12,454,000 | BILLING ADJUSTMENTS | $1,063,647 | $848,656 | ($214,991) | -20.2% |
| 19,890,000 | HMO/PPO DISCOUNTS | 1,698,726 | 2,034,334 | 335,608 | 19.8% |
| 47,539,000 | GOVERNMENTAL CONTRACTUAL ADJUST | 4,060,118 | 3,849,450 | (210,668) | -5.2% |
| 600,000 | CHARITABLE CARE | 51,244 | 29,661 | (21,583) | -42.1% |
| 3,015,000 | PROVISION FOR UNCOLLECTABLES | 257,499 | 270,889 | 13,390 | 5.2% |
| $83,498,000 | TOTAL DEDUCTIONS | $7,131,234 | $7,032,990 | ($98,244) | -1.4% |
| | OTHER OPERATING REVENUE | | | | |
| $1,477,000 | FOOD SERVICES | $125,275 | $131,136 | $5,861 | 4.7% |
| 838,000 | PARKING SERVICES | 71,077 | 74,543 | 3,466 | 4.9% |
| 98,000 | DEPARTMENT NON-PATIENT | 8,528 | 6,743 | (1,785) | -20.9% |
| 1,664,000 | GRANT INCOME | 138,667 | 132,501 | (6,166) | -4.4% |
| 2,393,000 | REFERENCE LAB INCOME | 200,832 | 192,115 | (8,717) | -4.3% |
| 1,715,000 | PRO FEES--NET REVENUE | 146,471 | 168,654 | 22,183 | 15.1% |
| 17,000 | SILVER SALVAGE | 1,444 | 2,417 | 973 | 67.4% |
| 1,625,000 | INCOME FROM BOND PROCEEDS | 165,034 | 201,903 | 36,869 | 22.3% |
| 0 | DONATIONS | 0 | 0 | 0 | |
| $9,827,000 | TOTAL OTHER REVENUE | $857,328 | $910,012 | $52,684 | 6.1% |
| $261,334,000 | TOTAL REVENUE FROM OPERATIONS | $22,337,549 | $23,965,758 | $1,628,209 | 7.3% |
| | EXPENDITURES | | | | |
| $118,374,000 | SALARIES | $10,318,419 | $10,446,110 | $127,691 | 1.2% |
| 28,671,000 | FRINGE BENEFITS | 2,436,769 | 2,398,226 | (38,543) | -1.6% |
| 1,170,000 | ACADEMIC CONTRACTS | 97,500 | 97,542 | 42 | 0.0% |
| 8,092,000 | RESIDENT CONTRACTS | 656,011 | 656,010 | (1) | 0.0% |
| 3,279,000 | PHYSICIAN COMPENSATION | 273,250 | 265,129 | (8,121) | -3.0% |
| 159,586,000 | TOTAL SALARY, F.B., & FEES | 13,781,949 | 13,863,017 | 81,068 | 0.6% |
| 2,139,000 | LAUNDRY & LINEN | 185,352 | 157,348 | (28,004) | -15.1% |
| 1,822,000 | RAW FOOD | 157,095 | 145,379 | (11,716) | -7.5% |
| 19,914,000 | DRUGS | 1,819,681 | 1,659,932 | (159,749) | -8.8% |
| 10,090,000 | BLOOD & BLOOD DERIVATIVES | 855,807 | 982,929 | 127,122 | 14.9% |
| 26,024,000 | MEDICAL SUPPLIES & SERVICES | 2,207,286 | 2,225,591 | 18,305 | 0.8% |
| 6,148,000 | UTILITIES | 524,339 | 490,130 | (34,209) | -6.5% |
| 771,000 | INSURANCE | 61,868 | 59,355 | (2,513) | -4.1% |
| 3,052,000 | RENTAL | 260,090 | 209,041 | (51,049) | -19.6% |
| 5,022,000 | MAINTENANCE & REPAIR | 426,526 | 331,712 | (94,814) | -22.2% |
| 48,000 | NET LOSS ON DISPOSAL OF ASSETS | 4,077 | 0 | (4,077) | -100.0% |
| 296,000 | CAMPUS ADMINISTRATION EXPENSE | 25,140 | 25,182 | 42 | 0.2% |
| 19,497,000 | DEPRECIATION | 1,538,818 | 1,520,643 | (18,175) | -1.2% |
| 12,690,000 | INTEREST | 1,078,628 | 1,051,546 | (27,082) | -2.5% |
| 20,204,000 | GENERAL SUPPLIES & EXPENSE | 2,068,791 | 1,242,757 | (826,034) | -39.9% |
| $287,303,000 | TOTAL EXPENDITURES | $24,995,447 | $23,964,562 | ($1,030,885) | -4.1% |
| ($25,969,000) | NET REVENUE FROM OPERATIONS | ($2,657,898) | $1,196 | $2,659,094 | 100.0% |
| | NON-OPERATING REVENUE | | | | |
| $15,976,000 | APPROPRIATIONS & SUPPORT | $1,331,333 | $1,331,295 | ($38) | 0.0% |
| 7,686,000 | INTEREST INCOME ON RESERVES | 748,764 | 829,900 | 81,136 | 10.8% |
| 179,000 | SHARED SERVICES | 15,203 | 11,777 | (3,426) | -22.5% |
| 1,400,000 | INVESTMENT INCOME HELD BY TRUSTEE | 117,487 | 116,378 | (1,109) | -0.9% |
| 171,000 | OTHER INVESTMENT INCOME | 14,523 | 9,316 | (5,207) | -35.9% |
| 655,000 | DIVIDEND DISTRIBUTION | 0 | 0 | 0 | |
| $26,067,000 | TOTAL NON-OPERATING REVENUE | $2,227,310 | $2,298,666 | $71,356 | 3.2% |
| $98,000 | REVENUE OVER/(UNDER) EXPENSE | ($430,588) | $2,299,862 | $2,730,450 | |

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
BALANCE SHEETS

JULY 31, 1990 AND JUNE 30, 1990

| ASSETS | 07/31/90 | 6/30/90 |
|---|---|---|
| CURRENT ASSETS | | |
| Operating Cash | $72,282 | $72,282 |
| Reserve Cash- Third Party Payable | 11,867,416 | 12,804,862 |
| Reserve Cash- Current Indebtedness | 8,437,060 | 7,239,816 |
| Accounts Receivable | | |
| Patient Receivables | 89,991,945 | 88,676,838 |
| Other Receivables | 1,864,494 | 1,527,471 |
| Third Party Receivable | 505,066 | 505,066 |
| Appropriation Receivable | 2,604,905 | 1,281,378 |
| | 94,966,410 | 91,990,753 |
| Less Allowances for Losses in Collection | (7,591,972) | (7,440,700) |
| Less Allowances for Discounts to Third Party Payors | (29,133,957) | (26,263,725) |
| | 58,240,481 | 58,286,328 |
| Inventories of Drugs & Supplies | 4,529,259 | 4,573,855 |
| Prepaid Expenses | 245,129 | 635,332 |
| TOTAL CURRENT ASSETS | $83,391,627 | $83,612,475 |
| ASSETS WHOSE USE IS LIMITED | | |
| Board Designated Assets Available for Assignment | | |
| Cash & Investments | $71,576,969 | $71,552,878 |
| Accrued Interest | 1,326,072 | 320,247 |
| | 72,903,041 | 71,873,125 |
| Cash & Invest for Debt Service | 13,000,000 | 13,000,000 |
| Cash & Invest for Working Capital | 32,198,769 | 30,423,302 |
| TOTAL | $118,101,810 | $115,296,427 |
| PROPERTY, PLANT, & EQUIPMENT | | |
| Land, Buildings & Improvements | $188,416,299 | $188,293,404 |
| Equipment | 91,558,724 | 90,988,895 |
| | 279,975,023 | 279,282,299 |
| Less Accumulated Depreciation | (117,772,689) | (116,252,046) |
| | 162,202,334 | 163,030,253 |
| Construction in Progress | 4,063,640 | 4,182,077 |
| TOTAL PROPERTY, PLANT, & EQUIPMENT | 166,265,974 | 167,212,330 |
| Assigned Cash & Investments for Construction/Equipment | 12,329,391 | 8,545,989 |
| TOTAL | $178,595,365 | $175,758,319 |
| INVESTMENTS HELD BY BOND TRUSTEE | $19,755,922 | $19,639,544 |
| OTHER ASSETS | | |
| Deferred Third Party Reimbursement | $7,015,604 | $7,071,157 |
| Deferred Debt Expense | 1,085,448 | 1,092,412 |
| Deposits and Other | 516,589 | 507,589 |
| TOTAL | $8,617,641 | $8,671,158 |
| TOTAL ASSETS | $408,462,365 | $402,977,923 |
| RESTRICTED ASSETS | | |
| Cash and Investments | $6,666,157 | $6,873,680 |

| LIABILITIES AND FUND BALANCES | 07/31/90 | 6/30/90 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Accounts Payable | $11,379,903 | $11,546,362 |
| Payable to Third Party Contr. Payors | 9,052,416 | 9,989,862 |
| Salaries, Wages and Payroll Taxes | 6,407,288 | 4,892,538 |
| Accrued Vacation | 8,675,039 | 8,529,488 |
| Accrued Professional Fees and Physician Compensation | 1,926,686 | 1,217,012 |
| Contracts Payable | 753,552 | 0 |
| Construction Retainages | 121,278 | 121,278 |
| Interest Payable | 5,973,208 | 4,971,131 |
| Current Portion of Long-Term Debt | 3,157,670 | 3,157,470 |
| Promissory Notes Payable | 1,300,000 | 1,300,000 |
| TOTAL CURRENT LIABILITIES | $48,747,040 | $45,725,141 |
| LONG-TERM DEBT, LESS CURRENT PORTION | $167,976,037 | $168,031,206 |
| UNRESTRICTED FUND BALANCE | $191,739,288 | $189,222,576 |
| TOTAL LIABILITIES & FUND BALANCE | $408,462,365 | $402,978,923 |
| RESTRICTED FUND BALANCES | | |
| Endowment Funds | $2,431,714 | $2,431,714 |
| Gift Funds | 4,234,443 | 4,441,966 |
| | $6,666,157 | $6,873,680 |

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

CASH FLOW

FOR THE PERIOD JULY 1, 1990 TO JULY 31, 1990

OPERATING ACTIVITIES AND NONOPERATING REVENUES:

| | |
|---|---|
| Excess of operating revenues over operating expenses: | $1,196 |
| Noncash revenues and expenses included in operating activity: | |
| Depreciation and Amortization | $1,594,592 |
| Unremibursed University G & A services | $16,849 |
| Provision for uncollectible accounts | $270,889 |
| Change in patient receivable and other receivables | ($225,042) |
| Change in due from third party reimbursement program | $0 |
| Change in due to third party reimbursement programs | ($937,446) |
| Change in Accounts Payable | ($166,462) |
| Change in accrued expenses | $4,125,604 |
| Other, net | 425,799 |
| | 0 |
| Net Cash provided by operating activities | $5,105,979 |
| Nonoperating revenues | $2,298,666 |
| Net cash provided by operating activities and nonoperating revenues | $7,404,645 |
| INVESTING ACTIVITIES: | |
| Acquisition of property, plant and equipment | ($574,284) |
| Funds Transferred from other sources | $200,000 |
| Cash outflows for Property & Plant | (374,284) |
| Increase in assets whose use is limited | ($6,705,163) |
| Net cash used in investing activities | ($7,079,447) |
| FINANCING ACTIVITIES: | |
| Repayment of long-term debt | $0 |
| Repayment of notes payable | ($65,401) |
| | ($65,401) |
| Increase in cash and equivalents | $259,798 |
| Cash and cash equivalents at June 30, 1990 | $20,116,960 |
| Cash and equivalents at 7/31/90 | $20,376,758 |

University of Minnesota Hospital & Clinic

Statement of Changes in Fund Balance

For the Period July 1, 1990 through July 31, 1990

| | OPERATING FUND | CURRENT DEBT SERVICE FUND | BOARD DESIGNATED FUND | PLANT FUND | TRUSTEE FUND | TOTAL UNRESTRICTED FUNDS |
|---|---|---|---|---|---|---|
| **UNRESTRICTED FUNDS** | | | | | | |
| Beginning Balance | $32,505,473 | $7,239,816 | $115,296,426 | $14,541,318 | $19,639,544 | $189,222,577 |
| **Net Income** | | | | | | |
| Excess of Revenue over Expense | 2,690,704 | | | | | |
| Interest Income on Reserves | | | 829,900 | | | |
| Interest Income on Nursing Grant | | | 16 | | | |
| Depreciation Expense | | | | (1,520,643) | | |
| Loss on Disposal of Assets | | | | 0 | | |
| Interest Income on Trustee Held Fund | | | | | 116,378 | |
| Amortization of Deferred Bond Expense | | | | (18,396) | | |
| Interest Income on Bond Proceeds | | | 174,000 | | 27,903 | |
| Total Income | | | | | | 2,299,862 |
| **Less Expense** | | | | | | |
| University Support: G & A | 16,849 | | | | | 16,849 |
| **Transfers Between Funds** | | | | | | |
| Major Building Projects- Hosp. | | | (3,790,043) | 3,790,043 | | |
| Capital Expenditures | (567,642) | | | 567,642 | | |
| Major Equipment Requisition | (65,401) | | | 65,401 | | |
| Bond Interest Expense Funding | (799,923) | 1,001,826 | (174,000) | | (27,903) | |
| Bond Principal Funding | (195,418) | 195,418 | | | | |
| Transfer from Gift Fund for CUHCC project | | | 200,000 | | | 200,000 |
| Res. Gift Fund Committment to Plant | | | | | | |
| Funding Working Capital | (5,565,511) | | 5,565,511 | | | |
| Ending Balance | $28,019,131 | $8,437,060 | $118,101,810 | $17,425,365 | $19,755,922 | $191,739,288 |

| RESTRICTED FUNDS | GIFT | ENDOWMENT | TOTAL |
|---|---|---|---|
| Beginning Balance | $4,441,966 | $2,431,714 | $6,873,680 |
| Income | 972 | 0 | 972 |
| Disbursements | (8,495) | 0 | (8,495) |
| Transfer for CUHCC building project | (200,000) | | (200,000) |
| Ending Balance | $4,234,443 | $2,431,714 | $6,666,157 |

# UNIVERSITY INVESTMENT OPTIONS FOR HOSPITAL RESERVES

Current funds, loan funds, and plant fund reserves may be invested in either the Temporary Investment Pool (TIP), a short term book value based pool, or the Group Income Pool (GIP), a longer term market value based pool.

## Temporary Investment Pool (TIP)

Description: TIP represents the investment of the University's daily cash balances. The interest earned on these investments is distributed only to accounts qualifying for participation. The accounting for TIP is on a book value basis, i.e. there is no risk of loss of principal.

Investment Policy: The investment objective for TIP is to maximize short term income while protecting principal and maintaining liquidity. The University's cash balances are primarily in foreign and domestic commercial paper, money market mutual funds and shorter term U.S. Government and Agency Securities. TIP is managed internally by The Office of Asset Management.

Distribution Policy: Participants receive distributions based upon the 1 year average of 3 month treasury bill rates of return. Any excess income earned over this rate is retained by Central Administration for priority purposes. Distributions are made in October, January, April and June.

Current Yield to Participants: 7.8%

## Group Income Pool (GIP)

Description: GIP represents the longer-term operating reserves of the University, derived from support services, hospitals, miscellaneous departmental reserve balances, and depreciation reserves. Accounting for GIP is on a unitized market value basis; i.e., additions and reductions are converted into units, the value of which is adjusted monthly as the overall value of GIP changes. There is risk of loss of principal in this investment pool.

Investment Policy: The investment objective of GIP is to maximize income (as opposed to growth of principal) on investments. The pool is therefore invested entirely in fixed-income related securities of varying maturities, and is actively managed by external fixed-income advisors.

Distribution Policy: GIP income net of expenses less 1/4 of 1 percent of the 12 month average market value of the pool is distributed in October, January, April and June. The 1/4 of 1 percent is retained by Central Administration for priority purposes.

Special Restrictions: Since GIP investments may be in securities with relatively long maturities, participants should generally have an investment time horizon of three years or more. If one invests in GIP for shorter periods of than this, there is a much greater risk of losing principal upon withdrawal.

Current Yield to Participants: 8.5%

Average Annual Total Return for the 5 Years Ending June 30, 1990: 10.0%

## Recommendations

1. Reduce capital plan by $50,000,000
   Recommendations on how this should be accomplished will follow this discussion

2. Improve operations through 1998 by $40,000,000 - $70,000,000
   Relate to afternoon discussions on task force reports

3. Future capital planning needs to be more incremental in its approach to assure UMHC can adjust to changing economic circumstances

4. Capital plan and operating expenses need to be adjusted with changing economic demands - i.e., new program requirements, acquisition, etc. - which are related to achieving improved operation performance

## ANNUAL CAPITAL EXPENDITURE REVIEW

## MAJOR FINDINGS AND CONCLUSIONS

1. UMHC has traditionally funded $7-8 million in annual capital expenditures from its operating cash flow.

   In addition, UMHC has purchased major pieces of equipment (MRI, CT scanners) from its reserves.

   Each year, the management and medical staff have submitted requests for twice as much capital as the budget has allowed. Budget allocations have been made by hospital administration; a Clinical Chiefs Capital Advisory Committee has begun assisting in that process.

2. The annual depreciation expense for 1989-90 is approximately $8,600,000 for movable equipment and about $600,000 for fixed equipment, totaling about $9,200,000.

3. Replacement cost of the equipment in the depreciation stream will be higher than original purchase cost.

   Application of inflationary conversion values results in annual capital costs of $14,379,000.

4. Over an eight year period, $115,000,000 in capital funds, from reserves and operations, will be needed to replace current equipment.

5. UMHC's capital plan includes about $101,000,000 to meet capital equipment replacement needs.

6. UMHC's capital plan also includes approximately $43,000,000 for new technology and other program development.

7. A significant reduction in expenditures in this area will result in an increasingly aged plant/equipment and/or lesser ability to invest in new technology and program development which require capital commitments.

8. Balancing of priorities requires that some reduction to future annual capital expenditures be made.

   It is recommended that a $20 million reduction in annual capital expenditures from 1991-98 be targeted.

<u>Option</u> <u>Descriptions</u> <u>8/15/90</u>

- **Reduced C-3 Option-**
This option is a scaled down version of the replacement building previously planned for the southeast corner of the Mayo site. The option requires the demolition of approximately 56,500 NSF of the old Mayo Building and reconstruction of a five story, approximately 83,000 NSF building to house Psychiatry Inpatient, Day Hospital and Clinic. The Psychiatry programs would occupy approximately 45,000 NSF of the building using the historic program plan with the remaining 38,000 NSF (presumably below grade) shelled. Construction of the below grade shell is necessary to maintain vital pedestrian and supply linkages between Mayo and Unit J. Psychiatry offices would remain on Mayo 6 as previously planned. Relocation of all current occupants of the southeast corner of Mayo will be required.

- **No Construction Option-**
This option assumes that no new construction is affordable at this time. The Psychiatry Inpatient, Day Hospital and Clinic are accommodated in the Rehab Building. This assumes a significant reduction in the size of the Psychiatry programs. Additional space for the department could be provided on Mayo 3 which links to the Rehab Building. Psychiatry offices are assumed to be located on Mayo 3, 4, and 5 in a stacked configuration close to the Rehab Building.

- **Unit J Expansion Option-**
This option is a scaled down version of the previous A2 plan which provided for expansion of the J building by one or more floors. This option assumes that the ninth floor of Unit J is constructed to accommodate a reduced Psychiatry Inpatient program. The building is configured around the existing cooling towers to reduce overall cost and reduce operational disruption. Psychiatry Clinic, Day Hospital and offices would be located in Mayo.

# REASSESSMENT OPTIONS 8/16/90

| PROJECT COMPONENT | REDUCED C-3 OPTION | NO CONSTRUCTION OPTION | UNIT J EXPANSION OPTION |
|---|---|---|---|
| PSYCH INPT | REDUCED C3 BUILDING | REMODEL REHAB 4,5 &6 | EXPAND UNIT J 9 A,B &C |
| PSYCH OP | REDUCED C3 BUILDING | REMODEL REHAB 2 &3 | MAYO 3RD FLOOR |
| PSYCH DAY HOSP | REDUCED C3 BUILDING | REMODEL REHAB 2 &3 | MAYO 3RD FLOOR |
| PSYCH OFFICES | MAYO 6TH FLOOR | MAYO 3,4 &5 | MAYO 3RD FLOOR |
| UROLOGY CLINIC | PWB 1 -OLD COL/REC | PWB 1 -OLD COL/REC | PWB 1 -OLD COL/REC |
| UROLOGY OFFICES | MAYO 5TH FLOOR | MAYO 5TH FLOOR | MAYO 5TH FLOOR |
| CYSTOSCOPY | PWB 1 -OLD AM SURG | PWB 1 -OLD AM SURG | PWB 1 -OLD AM SURG |
| OB INPT TEMP | REMODEL MAYO 5 | REMODEL MAYO 5 | REMODEL MAYO 5 |
| OB INPT FINAL | VACANT UNIT J NSG UNIT | VACANT UNIT J NSG UNIT | VACANT UNIT J NSG UNIT |
| REHAB INPT | VACANT UNIT J NSG UNIT | VACANT UNIT J NSG UNIT | VACANT UNIT J NSG UNIT |
| ADULT THERAPY | REHAB 5TH & 6TH FLOOR | MAYO 4TH FLOOR | MAYO 4TH FLOOR |
| PEDS THERAPY | REHAB 5TH & 6TH FLOOR | MAYO 4TH FLOOR | MAYO 4TH FLOOR |
| FACULTY OFFICES | $1.5M COMMITMENT | $1.5M COMMITMENT | $1.5M COMMITMENT |
| RELOCATION/RENTAL | ANTICAPATED COST $4.0M | ANTICAPATED COST $2.13M | ANTICAPATED COST $1.92 |
| INTERIM FIXES | ALLOW $.3M FOR PSYCH | ALLOW $.3M FOR PSYCH | ALLOW $.3M FOR PSYCH |
| AM SURG/ SAME DAY | MASONIC LOBBY | MASONIC LOBBY | MASONIC LOBBY |
| MAYO CODE/ASBTS | ALLOW $2.0M | ALLOW $2.0M | ALLOW $2.0M |
| MAYO SYS UPGRADE | MINIMAL AT $3.0M | MINIMAL AT $3.0M | MINIMAL AT $3.0M |
| AUTOPSY | MAYO FLOOR 1 | MAYO FLOOR 1 | MAYO FLOOR 1 |
| PHARMACY | MAYO FLOOR 1 | MAYO FLOOR 1 | MAYO FLOOR 1 |
| MISC MAYO PROG | ASSUME NO IMPROVEMENTS | ASSUME NO IMPROVEMENTS | ASSUME NO IMPROVEMENTS |
| APROX PROJ COST | $46.06M | $25.57M | $35.80M |

NOTES: DEPARTMENTAL LOCATIONS INDICATED HERE ARE FOR ESTIMATING PURPOSES ONLY AND DO NOT REPRESENT SPACE, LOCATION OR FUNDING COMMITMENTS.

THE COSTS OF PROVIDING SHELL SPACE ARE NOT INCLUDED IN THE UNIT J EXPANSION OPTION.

PREVIOUSLY PLANNED RENOVATION OF APROXIMATELY 60 HOSPITAL DEPARTMENTS IS NOT INCLUDED IN ANY OPTION.

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

August 23, 1990

**TO:** Members, Finance Committee

**FROM:** Greg Hart
Senior Associate Director

**RE:** Cardiac Catheterization Lab Expansion

The Cardiac Catheterization Lab currently consists of three procedure rooms. The volume of patients in the Cardiac Catheterization Lab has grown significantly since it opened in 1986. To handle current patient volumes and anticipated growth we are proposing that the capacity be increased by one additional angiographic room.

The proposal will be presented to the Planning and Development Committee, the Finance Committee, and the Board for information during the August meetings and for approval in October.

/gs

Attachment

Cardiac Catheterization Lab

Expansion Proposal

## Introduction and Rationale

The Cardiac Cath Lab currently consists of three procedure rooms with radiographic capabilities, and support space for registration, storage, and patient recovery. Two of the procedure rooms are equipped to do interventional angiographic studies, the third is used primarily for electrophysiologic procedures. The Lab is located on the second floor of Unit J, adjacent to the CV Radiology area. The equipment for the two angiographic rooms was purchased in 1986, along with the opening of Unit J. The equipment in the third room was purchased in 1980.

The volume of patients seen in the Cardiac Cath Lab has grown significantly since the unit was planned in the early 1980s and opened in 1986. This growth is in part a function of changes in technology (especially angioplasty) and also clearly the result of the arrival in 1986 of Drs. Carl White and Robert Wilson. Dr. Wilson is currently the Medical Director of the Cardiac Cath Lab. Dr. White and Dr. Wilson have led an extensive, successful medical outreach program in conjunction with University Hospital.

Attached are graphs which depict the growth in number of cases for six month increments beginning in 1985, through June 1990. We are now seeing nearly 3,000 cases per year, compared to approximately 1,200 cases per year in 1985. Almost all of the growth has been in adult patients. While the pediatric procedure volume has been relatively constant, it is anticipated that we will see growth in the number of pediatric cases when Dr. Rocchini arrives later this year. Dr. Rocchini will be the Head of the Division of Pediatric Cardiology and is a pediatric interventional cardiologist.

The dramatic increase in volume has led to the current procedure rooms being used to capacity. A fourth procedure room is thus needed to handle additional anticipated growth. "Industry standard" is that each procedure room should accommodate approximately 70 procedures/month. We are currently at 80-85 procedures per room per month. The non-angiographic room has a utilization rate of 86%, while the two angiographic rooms are in use 98% of the time from 7:00 a.m. to 7:00 p.m. The rooms are consistently used well into the evening and night.

The congested schedule which results from such a high utilization rate has become problematic. The frequent occurrence of emergency cases results in patients being sent home or delayed in the Hospital. When the equipment is down for repair or maintenance, patients care is further delayed or, at times, must be transferred to another hospital.

Accommodating additional growth in this situation will be very difficult. A growth potential of 450-650 cases per year over the next three years is projected. Additional capacity will need to be created in order to handle this growth in patient demand.

A key component of this projected growth is related to the Hospital's continuing outreach efforts. The volume from Red Wing and Eau Claire should add approximately 200-300 cases per year to the Cath Lab activity. It is important that we have the capacity to be responsive to these new referral sources.

Additional growth is expected to come from an increase in pediatric cardiology cases (100-150 cases per year); volume from the continued growth in the number of patients in the Cardiac Transplant Program, who return for biopsies and angiography (100-150 cases per year); and some additional increase in electrophysiologic studies, with the arrival of Dr. Pineda, an expert in electrophysiologic cardiovascular surgery (50 cases per year).

Beyond the above short term opportunities, additional growth is probable. It is anticipated, within the next three to four years, that technological advances in catheterization, particularly in interventional and electrophysiologic cardiology may increase the number of patients suitable for treatment in the Catheterization Laboratory. In interventional cardiology, the patients amenable to coronary angioplasty may be substantially increased by the use of 1) intracoronary stents (devices to hold open arteries after coronary dilation), and 2) laser or radio-frequency ablation of coronary atherosclerosis and "vascular welding".

Additional advances have been made in electrophysiology that may increase the number of patients who can undergo ablation of cardiac tissue responsible for heart rhythm disturbances. Many of these patients are currently treated with surgery. Advances in radio-frequency devices and other tissue ablation methods (chemical, electrical) may substantially increase the number of patients that can be treated in the Catheterization Laboratory. In pediatric interventional cardiology, a multitude of devices have been developed over the last several years that allow closure of defects within the heart, and permit the dilation of valves and other stenotic structures.

There has been a great deal of commercial interest applied toward the development of new devices for use in the Catheterization Laboratory. It is likely that over the life of a new radiographic facility, these devices will increase further the number of patients treated in the Catheterization Laboratory.

Proposal

It is proposed that the Cardiac Catheterization Lab capacity be increased by one additional angiographic room in order to handle current volume and anticipated growth. The estimated cost of the project is $2,800,000. This project has been anticipated in the Hospital's long-range capital plan.

The project involves both equipment purchase and remodeling of space. Space adjacent to the existing Cath Lab will be utilized. This space is now used by Nuclear Medicine; space on the first floor of Unit J will be remodeled for the displaced Nuclear Medicine functions. The cost of remodeling both the first floor space for displaced Nuclear Medicine and the second floor space for the new Cardiac Cath procedure room is estimated at $400,000.

Estimated equipment cost for the project is $2,400,000. The new unit will be equipped with biplane cine-angiographic and digital angiographic capabilities. The unit will be used primarily for interventional procedures. In addition to the radiographic equipment, the project cost includes supporting equipment, including physiologic monitoring technology.

It should be noted that the cost estimates for the project are preliminary at this point. More refined costs, hopefully based on actual bids, will be included when the project is brought to the Board of Governors for approval. We are targeting for the October Board meeting for project approval.

Financial Analysis

We have approached the financial analysis for this project from more of a "product line" perspective than we have done in the past for major equipment purchases, such as CT scanners and MRI units. That is, the full range of revenue and expense for patients seen in the Cath Lab has been reviewed, as opposed to just revenue and expense generated in the Cath Lab itself. This methodology gives a more complete perspective on the financial impact of the Cath Lab activity, and, in particular, an increase in Cath Lab activity.

As indicated earlier, current Cath Lab volume is just under 3,000 patients. These patients generated over $42 million in charges during their hospital stays, in 1989-90 dollars. Reimbursement on these charges was at 80% in 1989-90.

The patients seen in the Cath Lab generally fall into three categories. The first group, those for whom a cath procedure is the primary reason for admission, account for about 38% of the patients seen in the Lab. The second group, who have a heart biopsy or electrophysiologic study done in the Lab as part of (typically) a cardiac transplant evaluation or follow-up, account for 34% of the patients. The third group, with 20% of the patients, are those patients who are seen in the Cath Lab, but whose primary reason for admission was something other than the Cath procedure. These groupings are important, because the first two groups generate a "profit" for the Hospital (on a fully-loaded cost allocation basis) of about $750,000 per year, while the third group generates a loss of approximately $1,100,000 per year.

The project proposal is based upon additional volume of 500 cases per year. The additional volume will fall primarily in the first two above categories of patients. Estimated additional annual revenue (after revenue deductions) for those 500 cases is $4,013,000.

The incremental operating costs of the additional caseload are estimated at $1,856,000 (exclusive of depreciation). Thus before considering depreciation, the additional revenue generated exceeds the operating expense by $2,157,000, and the project has a payback period of less than two years.

Assuming a six year life for the project, the annual depreciation on the $2,800,000 investment is $467,000. Subtracting this figure from the $2,157,000 incremental profit, the after depreciation incremental annual margin is $1,690,000.

To summarize:

| | |
|---|---|
| Project investment: | $2,800,000 |
| Additional volume: | 500 cases/year |
| Additional revenue: | $4,013,000/year |
| Incremental expense (pre-depr.): | $1,856,000 |
| Operating margin: | $2,157,000 |
| Payback period: | 1.3 years |
| Depreciation expense: | $467,000/year |
| Net margin: | $1,690,000 |
| Rate of return: | 60% |

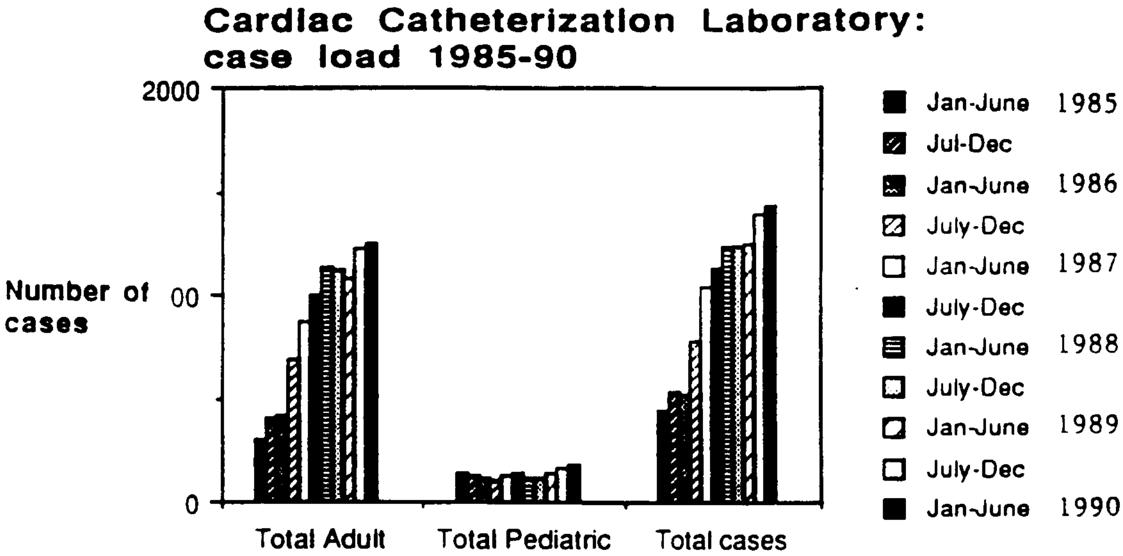
Cardiac Catheterization Laboratory:
case load 1985-90
2000
00
0
Number of cases
Total Adult
Total Pediatric
Total cases
Jan-June 1985
Jul-Dec
Jan-June 1986
July-Dec
Jan-June 1987
July-Dec
Jan-June 1988
July-Dec
Jan-June 1989
July-Dec
Jan-June 1990

Figure 1

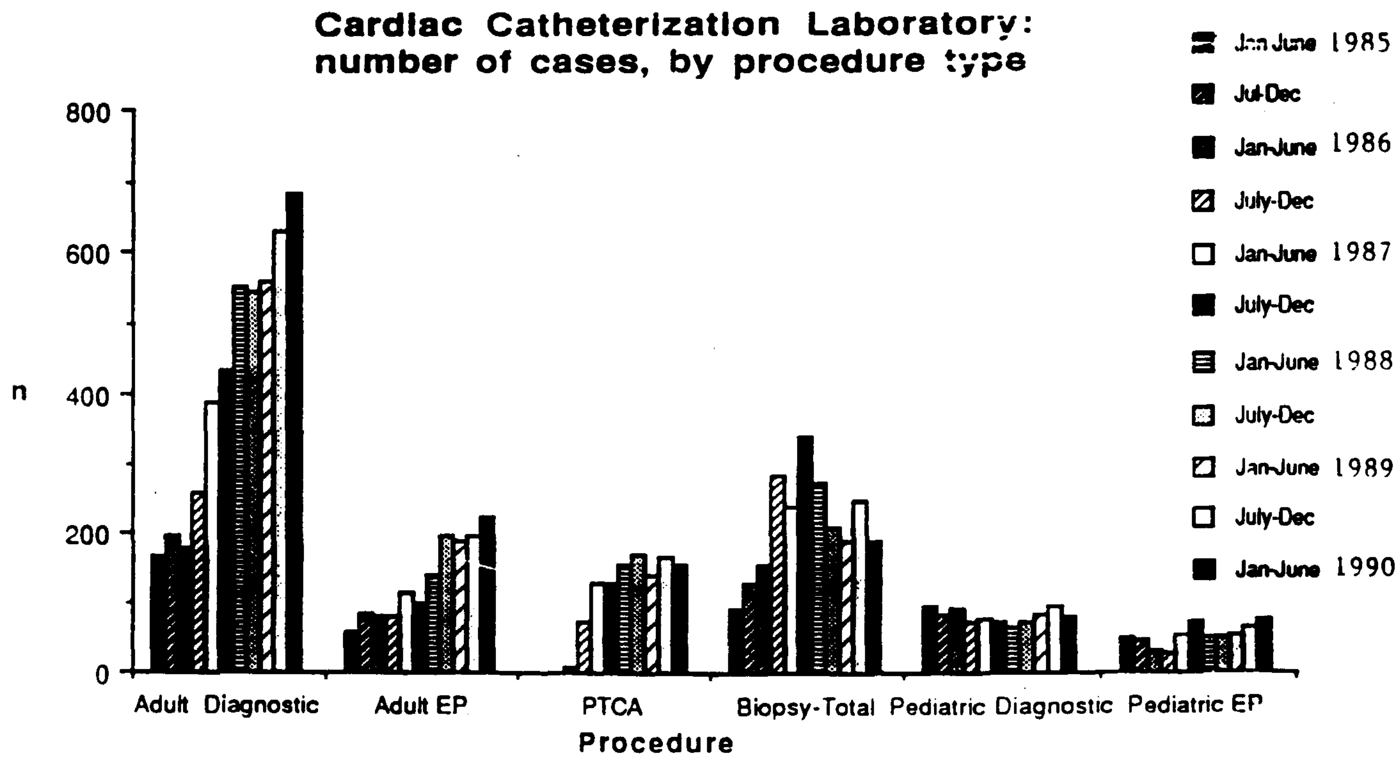
Cardiac Catheterization Laboratory:
number of cases, by procedure type
800
600
400
200
0
n
Adult Diagnostic
Adult EP
PTCA
Biopsy-Total
Pediatric Diagnostic
Pediatric EP
Procedure
Jan-June 1985
Jul-Dec
Jan-June 1986
July-Dec
Jan-June 1987
July-Dec
Jan-June 1988
July-Dec
Jan-June 1989
July-Dec
Jan-June 1990

Figure 2

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

The September 26, 1990 Board of Governors Finance Committee was cancelled because of the October 1-2, 1990 Board of Governors Retreat.