

Minutes
Finance Committee
University of Minnesota Hospital and Clinics
January 19, 1976

Present: John Quistgard, Vice Chairman
David Brown, M.D.
Al France
Debbie Gruye
John Westerman
Ron Werft

Absent: Don Brown
David Cost
Stanley Holmquist
Frederick Kottke, M.D.
Dave Preston
Don Van Hulzen

Staff: Clifford Fearing
John Diehl
Johnelle Foley

Guests: Harry Atwood
Judy Kaegy
Greg Hart

The meeting of the Finance Committee of the Board of Governors was called to order by Vice Chairman Quistgard at 9:15 a.m. in the K/E Conference Room.

I. Approval of the December 15, 1976 Minutes

Mr. France moved that the minutes of the last meeting be approved. The motion was seconded and passed.

Mr. Quistgard introduced Ms. Debbie Gruye as a new member of the Finance Committee and Mr. Ron Werft as a new member of the Committee and the new Health Sciences student representative to the Board.

II. Financial Statement- July - December

Mr. Fearing referred the Finance Committee to the Income Statement for July 1, 1976 to December 31, 1976. He noted that this would be the summary statement which would be presented to the full Board. In commenting on the statement, he pointed out that revenues were not meeting budget estimates and attributed this to the decline in the average length of stay. He added that expenditures were also .5% below their estimated

level. Mr. Fearing stated that the total net operating revenue showed a variance equaling (3.59)% of total budgeted revenue and that this was the largest variance which has been experienced Year to Date. He explained that with the affects of Malpractice insurance and Campus Administrative Expense, this variance was expected. He reminded the Committee that December is generally a month of low utilization and added that this statement did not reflect the January 1, 1977 rate increase.

In discussing the statement from another point of view, Mr. Fearing demonstrated that the variance was not as significant as depicted on the income statement:

Total Variance in Total Revenue from Operations	\$1,410,000
Deduct	
Expenditures under Budget	\$ 175,000
Campus General Admin Expense Variance	575,000
Malpractice Insurance Variance	<u>525,000</u>
Net Revenue Variance after Special Considerations	\$ <u>135,000</u>

Mr. Fearing discussed various trends and occurrences of the last six months. He indicated a decrease in laboratory services and suggested that low activity in the Bone Marrow Transplant Program, the late start of the Epilepsy Center, and the delay in making the Student Health Center operational may have affected this decrease. He noted that expenses were down with the downward trend in utilization and cited Neurology as an area experiencing the greatest decrease in patient days although admissions are fairly constant.

In examining the Statement of Operations, Mr. Fearing explained some of the various categories. He noted that Professional Fees involved the purchasing of hospital-based physicians' receivables and that Third Party Contract Adjustments involved the paying back to third-party payors that which is owed beyond cost contract reimbursement. In the case of Charitable Care, he explained the Hospitals' Hill Burton responsibility and the incorporation of those payments into the first half of the fiscal year. He mentioned the

Eustis Fund of \$4-5 million as an example of an endowment source of Donations from Restricted Funds. Under Other Operating Revenue, he explained that people were not using the Powell Hall cafeteria as much as expected with the closing of the main cafeteria. Under Expenditures, Mr. Fearing commented on Nursing Services' ability to react to decreased utilization. With fringe Benefits, he discussed the increased cost of providing health insurance and mentioned that those working half time will soon be eligible for benefits under new Regent policy.

Mr. Fearing explained that Academic and Resident Contracts and Physician Compensation were contracts with minimums and maximums established for Physician Compensation. He noted that it was unlikely that the Pathologists would meet their minimum and mentioned that there was presently a movement to renegotiate the Lab-Pathology contract mid-year. He stated that this matter would soon be discussed by the Reimbursement Committee of the Council of Clinical Sciences of the Medical School. Mr. Westerman pointed out that this would lend effective peer review. Mr. Fearing commented that he would like to see the physicians establish a centralized billing group which would be more cost effective with better collections.

In continuing the discussion of Expenditures, Mr. Fearing indicated that a study of the Laundry-Linen Service had recently been conducted with the University. He reported that with improved purchasing and inventory control, savings between \$200,000-\$250,000 could be realized. He explained that the interim Food Service contract has been extended longer than expected for the remodeling of the Hospitals' kitchens. He added that completion of the cafeteria project is now expected in April or May. He cited lower utilization as the cause for the decrease in Drugs and Medical Supplies.

He commented that he expects the cost of Utilities to increase with the cold weather of December and January. Under Non-Operating Revenue he mentioned that the Shared Services revenue involved computer programming assistance which was provided to a hospital in Brazil. Mr. Atwood concluded that the amount of

\$522,000 under budgeted revenue coincided with the \$526,000 expense for malpractice insurance and it was noted that this expense was not a Hospitals' option but rather a University decision.

After reviewing the Operating Cash Flow Statement, Mr. Fearing commented that it generally demonstrated an on target status. At Vice-Chairman Quistgard's request, Mr. Fearing reported that days of receivables were 95 in November and 100 in December. He added that a new system which will be implemented should, within 2 years, bring the days down to his goal of 75. It was noted that University Hospitals was still below other institutions such as Michigan at 110, Hennepin County at 145, and Ramsey County at 110, and that these public Hospitals were generally always higher than private institutions.

Mr. Fearing mentioned briefly that the Comparative Statement and Statement of Changes in Fund Balances were simply different breakdowns of the same information. In response to a question from Mr. Werft, Mr. Fearing explained that the Atkinson Fund, a Restricted Fund, was used to support the Community-University Health Care Clinic. The benefits of restricting gifts were discussed, as was the University's fund raising effort. Also mentioned was the tremendously high occupancy rates being experienced in January.

III. Financial Statements Projections to Year End

Mr. Fearing stated that with increased activity in the second half of the fiscal year and with the rate increase which was implemented on January 1, 1977, a variance of only (.9%) of the total planned budget revenue should be experienced. With the Projected Cash Flow Statement, he commented that the financial picture could change and added that capital equipment funding goals should be accomplished.

Credit Losses First Half of Fiscal Year

With the Board's retreat in September, Mr. Fearing explained that credit losses were inadvertently forgotten at that time and thus, his presentation today was for the first

six months of the fiscal year. He reported that the total amount recommended for bad debt during the first half of fiscal year 1976-77 is \$451,580.41 represented by 1,856 accounts with the inclusion of \$448.98 for lodging in Powell Hall. He stated that bad debt recoveries during this period amounted to to \$28,164.99 leaving a net charge off of \$423,415.42. Dr. Brown moved that authorization of this bad debt be recommended to the Board. His motion was seconded and passed. Ms. Gruye asked what types of people had most difficulty in paying their bills. It was noted that all people can potentially find themselves in undesirable financial difficulties when it comes to the unpredictable requirements for health care. Mr. France noted that it would be interesting to break down the accounts to determine the number involved in catastrophic illnesses. Mr. Fearing agreed to provide this breakdown.

V. Debt Capacity Analysis

Mr. Fearing reported that Ernst and Ernst has presented their proposal to do an analysis of University Hospitals' debt capacity. He noted that the proposal has not yet been considered awaiting Mr. Van Hulzen's return from out of town. Mr. Westerman added that Mr. Van Hulzen was attending a national conference on health issues sponsored by Blue Cross, the American Hospital Association and the Federal Government.

VI. Tentative New Program Cost-Revenue Schedule

Mr. Westerman explained that the preparation of the Annual Plan for 1977-78 involved an evolutionary process. He noted that in 1975, the Annual Plan was simply presented to the new Board and that in 1976, the plan raised concerns for the Board in terms of decision making involvement. He interjected that a status summary of the 1975 and 1976 Plans has been distributed to the Board. Mr. Westerman stated that with the development of the present plan there should now be an exploration of Board policy options and that with this exploration there should be a clear understanding of why University Hospitals is more expensive than other insitutions.

He referred the Committee to the Annual Plan Cost Summary and explained that the programs had been categorized. He stated that category I pertained to programs under study and exploration which relate to the Hospitals' mission and future role. He added that the Plans' Foreward identifies some of these future considerations. Category II, he explained, were programs which have been studied and are viewed as being feasible but require decision making. Category III were programs of a continuing nature or mandatory requirements in the implementation phase.

Before reviewing each program, Mr. Westerman commented that although not specifically identified as such, many of the programs were patient care oriented. He explained that Patient Services Management involved patient services by non-professionals. He cited the Warehouse and Library as support programs and mentioned that Capital Finance Planning was being considered in terms of patient care areas which he stressed as being essential in providing suitable facilities. Child Care he noted as a staff support service. Mr. Westerman explained that the Computer System would be invaluable in aiding in the rapid reporting of patient information. He cited the Rehab Center, House Staff Enhancement, and the Psych Program as being direct patient care related and commented that additional House Staff was viewed as an Hospital obligation to subsidize where Federal training funding has fallen off.

Mr. France questioned whether or not the Hospitals' role was expected to change in the future. Mr. Westerman commented that it was true that community hospitals were expanding their services but that it was essentially for University Hospitals to remain comprehensive to fulfill its teaching and research mission. He added that it would not be cost effective and that at some point merger and diversification must be considered for public justification. Dr. Brown indicated that a consortium with Hennepin and Ramsey County Hospitals would facilitate teaching by providing a broader base of services which would increase accessibility through different levels of care. Mr. Westerman added that the Board of Governors comprised the only trustee group of a major free-standing hospital and noted that to this point, the feasibility of a consortium with Hennepin and Ramsey

was only being considered at a management level. In discussing how University Hospitals should posture itself for the future, Mr. Westerman also commented on the Hospitals' role as a corrector of the mistakes of primary care. In conclusion Dr. Brown emphasized the Board of Governors ability to influence the future of health care and co-ordination in the state.

Mr. Fearing next reviewed with the Committee a list of proposed general budget guidelines. Mr. Westerman commented that a seminar of the Commission on Public-General Hospitals was soon to be held to discuss how University's view their hospitals. He stressed the importance of the academic support unit over the service unit concept.

The Committee then discussed the strategy of its presentation to the full Board. It was suggested that there existed a need for further clarification of and development of the guidelines and thus, they should not be presented to the Board at this time. It was also suggested that an in-depth presentation of University Hospitals' unique differences and reasons for higher costs would be helpful and could be presented in February. In considering raising with the Board the need to examine options for the future, Ms. Gruye asked if preventative medicine was not an issue for future involvement. Discussion ensued regarding the responsibility for, involvements in, and the cost effectiveness of preventative health care.

The Committee also discussed the planning for quarterly joint meetings of the Finance and Facilities Committees. It was suggested that the last month of the quarter would be best for such meetings and that they should be pre-scheduled on a regular basis.

There being no further business, the Finance Committee meeting was adjourned at 12:15 p.m.

Respectfully submitted,



Johnelle Foley
Secretary

UNIVERSITY OF MINNESOTA HOSPITALS
INCOME STATEMENT
FOR PERIOD JULY 1, 1976 TO DECEMBER 31, 1976

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance Over/ (Under) Budget</u>	<u>Variance %</u>
Gross Patient Charges	\$35,485,435	\$33,815,404	\$(1,670,031)	(4.7)
Deductions from Charges	2,494,316	2,289,172	(205,144)	(8.2)
Other Operating Revenue	<u>550,594</u>	<u>605,756</u>	<u>55,162</u>	10.0
Total Revenue from Operations	\$33,541,713	\$32,131,988	\$(1,409,725)	(4.2)
<u>Expenditures</u>				
Salaries	\$18,281,523	\$18,180,864	\$ (100,659)	(0.6)
Fringe Benefits	2,953,842	3,021,397	67,555	2.3
Contract Compensation	3,211,752	3,087,727	(124,025)	(3.9)
Med Supplies, Drugs, Blood	5,364,351	4,660,782	(703,569)	(13.1)
Campus Admin Expense	1,389,450	1,966,026	576,576	41.5
Depreciation	823,200	830,183	6,983	0.8
General Supplies & Expense	<u>5,166,192</u>	<u>5,266,375</u>	<u>100,183</u>	1.9
Total Expenditures	\$37,190,310	\$37,013,354	\$ (176,956)	(0.5)
Net Revenue from Operations	\$ (3,648,597)	\$ (4,881,366)	\$ (1,232,769)	(33.8)
Non-Operating Revenue				
Appropriations/Univ Support	\$ 3,822,290	\$ 3,822,290	-0-	-
Accrued Interest Income	506,882	506,882	-0-	-
Shared Services	-0-	<u>29,675</u>	<u>29,675</u>	-
Total Non-Oper. Revenue	\$ 4,329,172	\$ 4,358,847	\$ 29,675	0.7
Total Net Operating Revenue	\$ 680,575	\$ (522,519)	\$(1,203,094)	(1)

(1) Variance equals (3.59)% of Total Budgeted Revenue

UNIVERSITY OF MINNESOTA HOSPITALS
STATEMENT OF OPERATIONS
FOR PERIOD JULY 1, 1976 TO DECEMBER 31, 1976

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance Over/(Under) Budget</u>	<u>Variance %</u>
<u>Patient Care Charges</u>				
Routine	\$14,558,225	\$13,945,505	\$ (612,720)	(4.2)
Ancillary	20,613,416	19,573,733	(1,039,683)	(5.0)
Professional Fees	<u>313,794</u>	<u>296,166</u>	<u>(17,628)</u>	<u>(5.6)</u>
Gross Charges	\$35,485,435	\$33,815,404	\$(1,670,031)	(4.7)
<u>Deductions from Charges</u>				
Pro Fees Paid	\$ 268,078	\$ 247,456	\$ (20,622)	(7.7)
Third Party Contract Adjustment	85,082	85,082	-0-	-0-
Billing Adjustments & Employee Benefits	420,322	455,675	35,353	8.4
Charitable Care	448,828	505,744	56,916	12.7
Other Contract Adj	379,850	218,613	(161,237)	(42.4)
Allow for Uncoll Accts	892,156	845,376	(46,780)	(5.2)
Donations from Restricted Funds		<u>(68,774)</u>	<u>(68,774)</u>	
Total Deductions	\$ 2,494,316	\$ 2,289,172	\$ (205,144)	(8.2)
<u>Other Operating Revenue</u>				
Food Services	\$ 319,948	\$ 290,951	\$ (28,997)	(9.1)
Powell Hall Motel	123,528	120,116	(3,412)	(2.8)
Departmental Non-Patient	41,584	43,677	2,093	5.0
Reference Lab Income	65,534	95,779	30,245	46.2
Donations to Operations from Restricted Funds		<u>55,233</u>	<u>55,233</u>	
Total Other Revenue	\$ 550,594	\$ 605,756	\$ 55,162	10.0
Total Revenue from Operations	\$33,541,713	\$32,131,988	\$(1,409,725)	(4.2)
<u>Expenditures</u>				
Salaries	\$18,201,379	\$18,100,720	\$ (100,659)	(0.6)
Fringe Benefits	2,953,842	3,021,397	67,555	2.3
Accrued Vacation & Timeback	80,144	80,144	-0-	-0-
Academic Contracts	569,396	569,396	-0-	-0-
Resident Contracts	1,210,686	1,210,686	-0-	-0-
Physician Compensation	<u>1,431,670</u>	<u>1,307,645</u>	<u>(124,025)</u>	<u>(8.7)</u>
Total Salaries, Wages, F.B., & Fees	24,447,117	24,289,988	(157,129)	(0.6)
Laundry & Linens	676,929	634,746	(42,183)	(6.2)
Raw Food	594,303	644,365	50,062	8.4
Drugs	1,882,914	1,787,371	(95,543)	(5.1)
Blood & Blood Derivatives	976,066	671,691	(304,375)	(31.2)
Medical Supplies	2,505,371	2,201,720	(303,651)	(12.1)
Utilities	391,452	393,005	1,553	0.4
Insurance	242,982	769,833	526,851	216.8
Net Loss on Disposal of Assets	-0-	6,460	6,460	-
Campus Adm Exp	1,389,450	1,966,026	576,576	41.5
Depreciation	823,200	830,183	6,983	0.8
General Supplies & Expense	<u>3,260,526</u>	<u>2,817,966</u>	<u>(442,560)</u>	<u>(13.6)</u>
Total Expenditures	\$37,190,310	\$37,013,354	\$ (176,956)	(0.5)
Net Revenue from Operations	\$(3,648,597)	\$(4,881,366)	\$(1,232,769)	(33.8)
<u>Non-Operating Revenue</u>				
Shared Services	-0-	\$ 29,675	29,675	-
Appropriations & Support	3,822,290	3,822,290	-0-	-
Accrued Interest on Approp	94,320	94,320	-0-	-
Interest Income on Reserves	<u>412,562</u>	<u>412,562</u>	<u>-0-</u>	<u>-</u>
Total Non-Operating Rev	\$ 4,329,172	\$ 4,358,847	\$ 29,675	0.7
Revenue Over (Under) Expenses	\$ 680,575	\$ (522,519)	\$(1,203,094)	(1)

(1) Variance equals (3.59)% of Total Budgeted Revenue.

UNIVERSITY OF MINNESOTA HOSPITALS
OPERATING CASH FLOW
FOR PERIOD JULY 1, 1976 TO DECEMBER 31, 1976

Source of Funds		
Beginning Cash Balance		\$ 406,468
Loss from Operations	(4,881,366)	
Non-Operating Revenue	<u>4,358,847</u>	
Excess of Revenue over Expense		(522,519)
Items not Requiring the Outlay of Cash		
Depreciation	830,183	
University Support: G&A	1,966,026	
K/E Utilities	33,108	
Increase in Accrued Expenses	<u>2,384,124</u>	
		<u>5,213,441</u>
Total Funds Provided from Operations		\$5,097,390
Funds Applied		
Transfers to Plant		
Capital Expenditures	620,996	
Increase in Capital Encumbrance	<u>362,300</u>	
		983,296
Increase in Accounts Receivable		888,829
Increase in Accrued Revenue		495,965
Increase in Inventories		166,528
Transfer for Funded Depreciation Required by MHA		<u>1,290,394</u>
Total Funds Applied		\$3,825,012
Total Net Operating Cash Available		<u>\$1,272,378</u> (1)

(1) Available for offsetting future cash need of \$1,888,159 to cover increase in accrued expenses. Net Deficit \$615,781.

UNIVERSITY OF MINNESOTA HOSPITALS
COMPARATIVE STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 1976

	<u>12/31/76</u>	<u>6/30/76</u>		<u>12/31/76</u>	<u>6/30/76</u>
<u>Current Assets</u>			<u>Current Liabilities</u>		
Cash Working Funds	\$ 31,845	\$ 31,845	Trade Accounts Payable	\$ 2,157,169	\$ 859,914
Cash and Investments	8,058,975	4,601,807	Accrued Salary & Wages Payable	1,782,440	1,848,899
Patient Accounts Receivable			Accrued Vacation and Timeback Payable	1,808,958	1,728,811
Less Allowances for Possible Losses in Collection	14,955,471	14,066,642	Contracts Payable	1,149,788	157,047
Amounts Due from Third Party Payor Cost Reimbursement Programs	399,672	484,723	Accrued Professional Fees	<u>500,303</u>	<u>488,924</u>
Other Receivables	800,594	221,067			
Inventories of Drugs & Supplies	<u>1,987,530</u>	<u>1,821,002</u>			
Total Current Assets	\$26,234,087	\$21,227,086	Total Current Liabilities	\$ 7,398,658	\$ 5,083,595
<u>Long Term Investments</u>	\$12,100,000	\$10,657,298			
<u>Plant and Equipment</u>			<u>Fund Balances</u>		
Cash and Investments for Construction	\$ 1,562,375	\$ 1,590,166	Unrestricted Funds	.	
Construction in Progress	2,304,430	1,284,495	Operating Funds	\$14,931,028	\$11,946,682
Plant and Equipment	37,977,987	37,411,266	Reserve Funds	16,004,401	14,854,107
Less Allowances for Depreciation	<u>(18,917,219)</u>	<u>(18,103,346)</u>	Plant Funds	22,927,573	22,182,581
Total Plant and Equipment	\$22,927,573	\$22,182,581		<u>\$53,863,002</u>	<u>\$48,983,370</u>
Restricted Endowment and Gift Investments	\$ 8,268,634 (a)	\$ 8,251,563	Restricted Funds:		
			Gift Funds	\$ 473,515	\$ 537,839
			Endowment Funds	<u>7,795,119</u>	<u>7,713,724</u>
				\$ 8,268,634	\$ 8,251,563
Total Assets	\$69,530,294	\$62,318,528	Total Liabilities & Fund Balances	\$69,530,294	\$62,318,528

(a) Restricted Fund market value as of 12/31/76 \$8,404,676.

UNIVERSITY OF MINNESOTA HOSPITALS
STATEMENT OF CHANGES IN FUND BALANCES
FOR PERIOD JULY 1, 1976 THROUGH DECEMBER 31, 1976

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Plant Fund</u>	<u>Total Unrestricted Funds</u>
Unrestricted Funds				
Beginning Balance 7/1/76	\$11,946,682	\$14,854,107	\$22,182,581	\$48,983,370
Net Income				
Excess of Revenue over Expenses	(193,510)			
Accrued Reserve Int. Income		412,556		
Accrued Approp Int. Income		95,078		
Depreciation Expense			(830,183)	
Loss on Sale of Assets	18,994		(25,454)	
Total Unrestricted Income				(522,519)
less Expenses				
Unrealized Approp Revenue	3,389,069			3,389,069
Campus Support: G&A	1,966,026			1,966,026
K/E Utilities	33,108			33,108
Transfers to Plant:				
Major Bldg. Proj (Hosp Only)		(614,101)	614,101	
Capital Expenditures	(620,996)		620,996	
Capital Encumb Change	(362,300)		362,300	
Equip, Remod & Other Adj	4,349	(743)	(17,938)	(14,332)
Increase in Restricted Fund				
Commitment to Plant			21,170	21,170
Transfer to Shared Bldg. Proj.		(32,890)		(32,890)
Trans to Fund Deprec at Price				
Level	(1,290,394)	1,290,394		
Trans from Medical School for				
Patient Medical Info System	40,000			40,000
	<u>\$14,931,028</u>	<u>\$16,004,401</u>	<u>\$22,927,573</u>	<u>\$53,863,002</u>
	<u>Gift Funds</u>	<u>Endowments</u>		<u>Total Restricted Funds</u>
Restricted Funds				
Beginning Balance 7/1/76	\$ 537,839	\$ 7,713,724		\$ 8,251,563
Prior Period Adjustments	-0-	(22,356)		22,356
Adj 7/1/76 Beg. Balance	\$ 537,839	\$ 7,691,368		\$ 8,228,207
Net Income				
Gifts	27,276	177,928		
Accrued Interest Income				
Misc Expense	(55,233)			
Charity Expense	(15,960)	(52,814)		
Total Restricted Income				81,197
less Expenses				
Increase in Commitment to Plant				
Funds	(20,407)	(763)		(21,170)
Contribution to CUHCC Bldg		(20,600)		(20,600)
	<u>\$ 473,515</u>	<u>\$ 7,795,119</u>		<u>\$ 8,268,634</u>

UNIVERSITY OF MINNESOTA HOSPITALS
PROJECTED STATEMENT OF OPERATIONS
FISCAL YEAR ENDING JUNE 30, 1977

	Planned Budget <u>7/1/76</u>	Projected Operations	Variance Over/(Under) <u>Budget</u>	Variance <u>%</u>
Gross Patient Charges	\$70,790,603	\$70,243,245	\$(547,358)	(.8)
Deductions from Charges	5,003,840	4,848,362	(155,478)	(3.1)
Other Operating Revenue	<u>1,097,798</u>	<u>1,092,073</u>	<u>(5,725)</u>	(.5)
Total Revenue from Operations	\$66,884,561	\$66,486,956	\$(397,605)	(.6)
<u>Expenditures</u>				
Salaries	\$36,149,135	\$36,500,859	\$ 351,724	1.0
Fringe Benefits	5,826,661	6,032,438	205,777	3.5
Contract Compensation	6,345,312	6,426,709	81,397	1.3
Med Supplies, Drugs, Blood	10,787,994	9,369,266	(1,418,728)	(13.2)
Campus Admin Expense	2,756,250	3,900,000	1,143,750	41.5
Depreciation	1,633,000	1,650,000	17,000	1.0
General Supplies & Expense	<u>10,712,948</u>	<u>10,684,093</u>	<u>(28,855)</u>	(.3)
Total Expenditures	\$74,211,300	\$74,563,365	\$ 352,065	.5
Net Revenue from Operations	\$(7,326,739)	\$(8,076,409)	\$(749,670)	(10.2)
<u>Non-Operating Revenue</u>				
Appropriations/Univ Support	\$ 7,582,261	\$ 7,719,397	\$ 137,136	1.8
Accrued Interest Income	1,005,495	1,005,495	-0-	-0-
Shared Services	-0-	29,675	29,675	-
Total Non-Operating Rev	<u>\$ 8,587,756</u>	<u>\$ 8,754,567</u>	<u>\$ 166,811</u>	1.9
Total Net Operating Revenue	\$ 1,261,017	\$ 678,158	\$(582,859) (1)	

(1) Variance equals (.9)% of the Total Planned Budget Revenue

Based on 12/31/76 YTD Actual Data
1/19/77

UNIVERSITY OF MINNESOTA HOSPITALS
PROJECTED CASH FLOW
FYE JUNE 30, 1977

Source of Funds		
Excess of Revenue over Expense		\$ 678,158
Items not requiring the		
Outlay of Cash		
Depreciation	1,650,000	
Campus G&A	3,900,000	
Increase in Accrued Expense	(190,949)	
Third Party Contract Adj.	<u>168,773</u>	
		<u>5,527,824</u>
Total Funds Provided from Operations		\$6,205,982
Cash Applied		
Increase in Accounts Receivable	2,159,299	
Increase in Inventories	226,533	
Increase in Accrued Revenue	<u>156,033</u>	
Total Cash Applied		<u>2,541,865</u>
Cash Available		\$3,664,117
Justification		
Reserve Interest	818,395	
Price Level Depreciation	1,135,586	
Historical Depreciation	1,650,000	
Appropriation Interest	<u>187,100</u>	
Total Justification		\$3,791,081
Total Net Operating Cash Available		\$ <u>(126,964)</u>

Based on 12/31/76 YTD Actual Data
1/19/77



UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospitals
Minneapolis, Minnesota 55455

January 14, 1977

TO: Cliff Fearing

FROM: Bill Conner

RE: Bad Debt Report 7/1/76 to 12/31/76

The total amount recommended for bad debt during the first half of fiscal year 1976-77 is \$451,580.41 represented by 1,856 accounts. Included in these figures is \$448.98 for lodging in Powell Hall.

Bad debt recoveries during this period amounted to \$28,164.99 leaving a net charge off of \$423,415.42.

A statistical summary for the six month period follows with detailed data available on the attached reports.

BC/tr

enc.

BAD DEBT STATISTICS - JULY 1, 1976 TO DECEMBER 31, 1976

OUTPATIENT

Dollar Ranges	<u>Below \$50</u>	<u>\$50-1,999</u>	<u>\$2,000 & Over</u>	<u>Total</u>
Dollar Amount	\$16,306.82	\$ 63,285.14	\$12,277.37	\$91,869.33
Number of Accounts	973	280	4	1,257

INPATIENT

Dollar Ranges	<u>Below \$100</u>	<u>\$100-2,000</u>	<u>Above \$2,000</u>	<u>Total</u>
Dollar Amount	\$ 9,920.81	\$156,626.13	\$192,715.16	\$359,262.10
Number of Accounts	271	305	18	594

Total Amount - Inpatient & Outpatient \$451,131.43

Total Number - Inpatient & Outpatient 1,851

% of Outpatient Number to Total Number .68

% of Outpatient Amount to Total Amount .20

% of Inpatient Number to Total Number .32

% of Inpatient Amount to Total Amount .80

Attached is a brief description of accounts over \$2,000.

UNIVERSITY OF MINNESOTA HOSPITALS
ANNUAL PLAN COST SUMMARY
1977-78
DRAFT

	<u>Total Operational Expense Increment</u>		<u>Potential Cost Benefits/ Anticipated Revenue Increment</u>	
I Programs Under Study and Exploration				
(1)4. Patient Services Management	\$ 60,000		-0-	(5)
6. Warehouse System	-0-	(4)	-0-	
7. Hospital Management Reference Library	20,000		-0-	
10. Capital Finance Planning	75,000	(4)	-0-	
16. Child Care	-0-		-0-	
II Programs in Decision Making Phase				
2. Payroll System	\$ 20,000		-0-	(5)
3. Hosp Computerized Information System	100,000		-0-	(5)
13. Health Education	-0-	(3)	-0-	
14. Human Resources Management	-0-	(4)	-0-	
18. Rehab Center - Ergography Svc Lab	15,669		20,166	
19. House Staff Enhancement	145,000		-0-	
20. Psychiatry Program	-0-	(3)	-0-	
10. Capital Finance Planning	-0-	(3)	-0-	
III Implementation of Continuing and Mandatory Programs				
1. Productivity Improvement Program	-0-	(3)	-0-	(5)
5. Infection Control	-0-	(3)	-0-	
8. Risk Management	-0-	(4)	-0-	
9. Unit B/C	-0-	(2)	-0-	
11. Rural Cooperative	2,500		-0-	
12. Northwest Project	100,000		-0-	
15. Affirmative Action Program	-0-	(4)	-0-	
17. Communication Center	18,500		-0-	(5)
10. Capital Finance Planning	-0-	(3)	-0-	
Subtotal	\$556,669		\$20,166	
Less Anticipated Revenue		<u>(20,166)</u>		
Net Annual Plan Cost before Annualized Cost Savings		<u><u>\$536,503</u></u>		

- (1) Numerical sequence corresponds to Annual Plan numbering structure.
- (2) Programmatic financial implications for Unit B/C program will be dealt with as a separate budget when more complete data is available.
- (3) Estimated programmatic costs undefined as of January 19, 1977.
- (4) No anticipated financial implications for fiscal year 1977-78.
- (5) Cost savings in this year or future years will equal or offset the increase cost associated with these programs.

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
PROPOSED GENERAL BUDGET GUIDELINES
1977-78 BUDGET

These budget guidelines as set forth are intended to be an adjunct to the Statement of Financial Policies and Requirements of University Hospitals and Clinics as adopted by the Board of Governors (January 21, 1976). As an adjunct to that statement; the overall Mission Requirements, Financial Policies, and Financial requirements are not repeated in this document but are understood to provide the overall framework within which these principles should be applied.

General Guidelines

1. Budget resources to achieve optimum overall mission requirements.
2. Incremental patient service costs shall be recovered through patient service revenues.
3. To the extent possible, incremental educational costs shall be recovered through educational resources.
4. Incremental research costs shall be funded fully by research funds.

Specific Guidelines

1. Rollforward requirements, i.e., mandated salary increases, etc., are non-negotiable.
2. Programs mandated by external sources such as JCAH, HSA, Regents action are non-negotiable.
3. New program dollars require Board approval.
4. Cost benefits, savings, or productivity increases and their apparent savings should be used in corresponding areas of costs where possible to increase quality or implement new programs.

5. The budget should remain flexible to accomodate unforeseen developments.
6. Building BC budget implications will be considered as a separate and special budget addendum during 1977-78 if necessary.
7. New costs beyond inflationary costs will be included in the 1977-78 budget to the extent of ____%.

Minutes

Finance Committee

University of Minnesota Hospitals and Clinics

Board of Governors

June 16, 1976

Members Present: Stanley Holmquist, Chairman
John Quistgard, Vice-Chairman
David Brown, M.D.
Lillian Burke
David Cost
Al France
David Preston
Don Van Hulzen
John Westerman

Members Absent: Don Brown
Jeanne Givens
Frederic Kottke, M.D.

Staff: Clifford Fearing, Controller
John Diehl
Johnelle Foley

Guests: Greg Hart
Nehls Larsen
John Scheif

The meeting of the Finance Committee of the Board of Governors of University of Minnesota Hospitals and Clinics was called to order at 9:45 a.m., by Chairman Holmquist.

I. Approval of May 19, 1976 Minutes

Mr. Quistgard noted that the word "office" on the second line from the bottom on page 3 of the minutes of the last meeting should be corrected to read, "off as". Mr. Quistgard then moved that the minutes of the May meeting be approved as corrected. The motion was seconded and passed.

Mr. John Schleif was introduced to the Finance Committee. Mr. Schleif is the summer resident from the University of Iowa's Program in Hospital Administration.

II. July - May YTD Financial Reports

Mr. Fearing reviewed with the Finance Committee the Statement of Operations through May. He explained that Third Party Contract Adjustments under Deductions from Charges had previously been affected by writing off large amounts last September due to a reimbursement change in the kidney transplant program. He stated that the Third Party Contract Adjustment item now showed a considerable variance because of a retroactive settlement with Medicaid and the Counties on cases in 1972-1973 for which the Hospitals must now pay back approximately \$100,000. Mr. Fearing noted some additional items on the statement and suggested that once the union contract was settled, the 1.96% variance over total budgeted revenue would be reduced. In response to questions, he stated that salaries and fringe benefits comprised 65.4% of the total budget and mentioned that approximately 18% of the Hospitals' employees were subject to the union contract presently being negotiated.

In examining the Statement of Cash Flow, Mr. Fearing indicated that University Hospitals was experiencing difficulty in obtaining cash from the Social Security Administration for the kidney dialysis program. He explained that his staff was presently doing a detailed analysis of the Hospitals' cash flow situation for presentation to Medicare in an effort to receive a \$1 million advance. He pointed out that presently required funding was being accomplished, leaving the Hospitals with \$208,530 in net cash available in excess of requirements.

Mr. Fearing then referred the Finance Committee to a collection of graphs depicting various trends in the Hospitals. It was pointed out that the average occupancy for May was 78.4% with the average YTD rate being 75.9%. Mr. Fearing stated that it would be difficult to exceed the occupancy rate for May based on the Hospitals' restricted beds and special care units. Mr. Westerman cited an 81.5% occupancy rate for Med/Surg beds and commented that Metropolitan occupancy figures could be provided for comparative analysis. Mr. Van Hulzen stated that the Bed Allocation Committee looks for an 80% occupancy rate when determining beds per service. Mr. Preston mentioned that

Chairman Holmquist inquired as to whether these graphs should be shown to the full Board of Governors periodically. It was felt by the Committee that this could be done bi-annually with an explanation of each chart.

III. Analysis of Full-Time Equivalent Positions

Mr. Fearing presented the Finance Committee with a breakdown of numbers of positions by department, indicating that this would illustrate how the staff is distributed throughout the Hospitals. He cited the opening of the Epilepsy Center, the expansion of the Dialysis Program, and the build up of the Bone Marrow Program, as examples of need for increased staffing. He also pointed out the reduction in positions required in the Nutrition Department.

Mr. Cost asked if there was a ratio analysis to relate staff to beds or patient days. Dr. Brown commented that this would be difficult to calculate because of the intermingling of out-patients in the system. Mr. Van Hulzen suggested that an attempt would be made to develop a ratio analysis on a quarterly basis. It was also mentioned that productivity indices were used throughout the year to assure the appropriateness of staffing levels. Mr. Westerman commented that the Program Review Committee of the Clinical Chiefs will most likely be advising controls on the number of tests ordered and consideration of appropriateness of maintaining an Obstetrics Unit in its present form. He added that a strenuous productivity improvement program was being pursued.

IV. Summary and Analysis of 1974-75 Financial Results

Mr. Van Hulzen referred the Finance Committee to the memo which he had prepared for Mr. Westerman. He explained that the memo provided a summary and analysis of sources of funds and their applications during 1974-75. Mr. Van Hulzen began his review with an explanation of the issues illustrated in Schedule I. Dr. Brown commented on the Departmental Gain/Loss Statement which reflected revenue and expenses for each department. He stated that if the goal was to bring revenue and costs into parity, the Program

there is no optimal occupancy rate figure because of the differences in hospitals' case load.

Mr. Cost asked how the Metropolitan Health Board's designation of University Hospitals in its Emergency Medical Services Plan would affect the Hospitals occupancy. Mr. Diehl commented that the Metro Health Board's designation was inappropriate and misrepresented the Hospitals' services and thus, could, to some degree, affect utilization.

Mr. Van Hulzen noted that this situation illustrated the Metro Health Board's conception of University Hospitals' serving only the Metro area instead of the State. It was noted the University Hospitals staff was working diligently to establish with the Metro Health Board its role as a state resource. The aspect of competition was pointed out as a key issue in this designation case.

Mr. Fearing continued to review the various graphs with the Committee. In studying admissions and patient days, Mr. Fearing noted that 10 days constituted University Hospitals' average length of stay, adding that this was higher than most hospitals because of the severity of the cases seen at University Hospitals. Mr. Fearing explained the difference between the number of clinic visits in 1974-75 and 1975-76 as being the result of a change in the way such visits are counted. He commented that actually the two years' experiences were very similar.

Mr. Fearing provided the following figures for Cost and Revenues per:

	<u>Total Revenue</u>	<u>Cost</u>	<u>Operating Revenue</u>
Admissions	\$2672.36	\$2609.76	\$2445.00
Patient Day	266.10	259.86	243.46
Clinic Visit	49.23	46.73	33.24

Mr. Westerman pointed out that the Ambulatory Care Management Council would be working to continue the Clinics at a break even situation. Mr. Van Hulzen explained that the differences between costs and revenues are accounted for by Non-Operating Revenues.

Review Committee of the Clinical Chiefs should be giving more careful consideration to those departments where costs exceed revenue.

In returning to the examination of Schedule I, Mr. Van Hulzen pointed out that the Blue Cross cost formula is more liberal than Medicare and Medicaid in defining full costs. Mr. Westerman explained that the continuence of this policy was dependent upon whether or not Blue Cross goes to a public majority Board. He added that he favored such a change, indicating that the Board was in need of more corporate-style expertise and scrutiny.

Mr. Preston commented that in its next session, the Legislature would be looking at the high costs of medicare education and the high costs of Obstetrics, Psychiatry, and Rehabilitation. Other issues which were discussed by the Committee included the increased emphasis in ambulatory care services, pharmacy prices, and rate increases. Having reviewed the remaining schedules, Mr. Van Hulzen commented that he hoped this presentation was helpful in providing a general understanding as to how University Hospitals was financed.

V. MHA Rate Review Submission

Mr. Van Hulzen reported that the materials were being prepared for presentation to the Minnesota Hospital Assocaitions Rate Review Panel. Mr. Fearing stated that he was somewhat concerned over arbitrary decisions which certain review panels have been making. One such decision which he cited was not allowing the seperation of interest earned on depreciation reserves. He noted that particular decision was being taken to the Association for appeal. Mr. Fearing concluded that he was confident that University Hospitals' rate increase would be approved.

VI. Other

Mr. France inquired as to when the Finance Committee would be meeting with the Facilities Committee. Mr. Quistgard commented that the Fall might be considered

as an appropriate time for the Committees to meet when they would both be more fully prepared.

Chairman Holmquist commented on the helpfulness of the graphs and noted that he hoped staff would continue to provide such presentations.

There being no further business , Chairman Holmquist adjourned the Finance Committee at noon for lunch.

Respectfully submitted,

Johnelle Foley
Secretary

Minutes

Finance Committee

University of Minnesota Hospitals and Clinics

August 18, 1976

Members Present: Stanley Holmquist, Chairman
John Quistgard, Vice Chairman
David Brown, M.D.
David Cost
Al France
Jeanne Givens
David Preston
Don Van Hulzen
John Westerman

Members Absent: Don Brown
Lillian Burke
Frederic Kottke, M.D.

Staff: Clifford Fearing
John Diehl
Johnelle Foley

Guests: Greg Hart
Judy Keagy
Nehls Larsen
Royce May
Darrell Mayfield
John Schlieff
Harry Atwood

The meeting of the Finance Committee of the Board of Governors of University of Minnesota Hospitals and Clinics was called to order at 9:45 a.m., by Chairman Holmquist.

I. Approval of June 16, 1976 Minutes

Mr. Quistgard moved that the minutes of the June meeting be approved as received. The motion was seconded and passed.

II. 1977-1978 Budget Preparation (Outline Attached)

Mr. Van Hulzen explained the changed circumstances which will affect the timing of the budget preparation for next year. He noted that 1977-1978 will be the first year of a new biennium which will mean that the level of state appropriations will not

be known immediately nor will the impact of the state pay plan. He also stated that the new state Rate Review Law required the submission of a detailed budget and proposed rate change plan 60 days in advance of putting new rates into affect. He further indicated that Medicare & Medicaid reimbursement regulations may be modified to restrict revenue and/or require changes in rate structuring but that the timing of such a decision and changes was unknown.

Mr. Van Hulzen cited three basic elements of the budget which would be affected in terms of sequencing decisions because of the changed circumstances. He stated that major program changes would have to be identified by December for inclusion in the Annual Plan by January. He noted that volume estimates would have to be made by January, followed by workload and productivity estimates in February. Inflationary increases would have to be dealt with in March and April. Mr. Van Hulzen explained that this timetable would allow for the submission of the budget estimates and required rate changes to the Rate Review Program by May 1st. He then added that the Board of Governors could take May and June to study the budget and rates for possible reductions. Final Regents' and University Administration approval would be sought in June. Mr. Van Hulzen also mentioned that consideration should be given to establishing general budget guidelines by September and incorporating the Council of Clinical Chiefs' Program Review Committee into the budget preparation process.

Mr. Atwood commented that this plan for early Board involvement in the budget process was consistent with expressed interest by Board members for early policy involvement. He mentioned that should the Board decide to devote its September meeting to a seminar discussion, budget guidelines could be considered as a topic of interest to the Board.

In response to questions regarding the Minnesota Hospital Association's Rate Review Program, Mr. Fearing explained that the program was still voluntary only to the extent that hospitals could be reviewed by the Association or the Minnesota Health Department, assuming the Association program is certified by the MHD. He indicated that there had been 10 rate denials by the review panels with 2 appeals resulting in one approval of a panels' decision and one partial rate increase. He further mentioned that the program was accustomed to and geared for dealing with estimates. Mr. Preston stated that in terms of making estimations, legislation appropriations were somewhat predictable while cost of living increases and pay plan decisions were not.

Ms. Givens moved that the Finance Committee accept the proposed budget timetable and recommend its approval by the Board of Governors. The motion was seconded and passed.

II. Fourth Quarter Credit Losses

Mr. Van Hulzen explained that \$116,372.46 was recommended for write-off during April 1, 1976 through June 30, 1976. He added that recoveries during this time amounted to \$30,819.07 leaving a new charge off of \$85,553.39. He noted that the total identified uncollectible accounts for the four quarters amounted to \$904,000. He added that last year's total bad debts equalled \$1,175,000.

Discussion then followed concerning the affect which working with patients can have on the collection of accounts. Comments were also made by Mr. Westerman concerning the affect which the Board's presents had on stimulating efficient financial managing. Mr. France then moved that the Finance Committee recommend that the Board of Governors approve the writing off of \$116,372.46 as bad debts. Ms. Givens seconded the motion and it was passed.

IV. Minnesota Hospital Association Rate Review

Mr. Westerman explained the history of the Hospital Association's involvement in rate review. He noted that the program was established as a process by which the industry would attempt to provide its own regulation. He commented that he felt the program which is established is most viable and professional and far exceeds the attempts of the State Health Department to develop its own review program.

Mr. Westerman reported that the University Hospitals presentation of its budget and rate request to the review panel consisted of an initial discussion of the Hospitals' mission and role in the state as the clinical setting for teaching and research and how this role affected the hospitals' costs. Mr. Van Hulzen presented the panel with a description of the budget process. Mr. Fearing reviewed the various materials and forms which had been submitted.

Mr. Fearing explained that the rate review panels were made up of 7 members, 4 of whom were consumers, 1 administrator, 1 health finances person, and 1 independent accountant. He noted that their questions were probing, and that some were initiated by thorough staff review and analysis. He added that approximately 90% of the hospitals sought rate increases and that University Hospitals rate increase fell in the median of those requests. He commented that most rate increase denials were caused by hospitals who were unable to substantiate their requests. Mr. Fearing then reviewed with the Committee the various forms which were submitted to the rate review panel. He concluded by stating that the Hospital Association was compiling statewide comparative ratios which can be used in identifying service cost trends.

V. Professional and Legal Liability Insurance

Mr. Diehl reported that with the limitations placed on its sovereign immunity, the University had investigated several alternatives to secure liability insurance, such as providing

self-insurance or establishing a captive insurance company. He explained that the decision was recently made to purchase a front policy from the Insurers of North America Company for \$3 million annual aggregate professional liability coverage. He noted that the policy did not cover everything but that separate policies were purchased for most un-included items. Mr. Diehl commented that the University's goal was to acquire additional coverage and that the purchase of this policy was seen as a means to achieving that goal. He further stated that it was hoped that the tort claims act would be helpful in its limiting of liability. Mr. Diehl added that University Hospitals presently had \$20 million in pending malpractice suits.

Chairman Holmquist inquired as to the Board's responsibility and involvement in the acquisition of suitable coverage. Mr. Atwood reminded the Committee that the Board had made the decision to accept the Universities determination of a package. The Committee then decided that a further discussion of this issue would be appropriate after September 1st when more information would be available.

VI. 1975-1976 Financial Review

Mr. Fearing reviewed with the Finance Committee, the Preliminary Financial Statements for 1975-1976. He began with a graphic presentation of the breakdown of expenses and revenue. In further reviewing the direct expense summary, the Committee discussed salary conditions and requested staff to provide an analysis of salaries.

In summary, other trends identified by the Committee in reviewing the 1975-76 financial and statistical statements included: an increase in the FTE's in ancillary services which is the fastest growing area of service and revenue; a slight decrease in other operating revenue; a total of 25% cash received from commercial insurers; an increasing occupancy rate after leveling out with decreasing lengths of stay; an increasing admissions rate; a patient days trend similar to that of occupancy rates;

increasing in-patient costs; increasing out-patient visits; and increasing out-patient costs due to more involved procedures being conducted on an out-patient basis.

Mr. Fearing then discussed the Preliminary Statement of Operations. In citing significant variances, he noted that retroactive adjustments were made to Third Party Contract Adjustments. Other Contract Adjustments included a change in the method of calculating kidney donors revenue while the Allowance for Uncollectible Accounts was reduced from 2.9% of gross charges to 2.1%. Mr. Fearing stated that the availability of fewer research grants caused the decline in the Departmental Non-Patient Revenue item. In reviewing Expenditures, he explained that salaries were budgeted to include the estimated cost of the union contract settlement and that Physician Compensation was above budget because physicians under combined billing contracts had reached their maximums. Laundry, linens and raw foods were under budgeted due to an unforeseen decline in the inflation rate. Blood, Drugs, and Medical Supplies were over budget because of increased utilization and utilities were under budgeted due to an unexpected decreased need for steam caused by the mild weather. Mr. Fearing explained that the variance for General Supplies and Expense was basically the result of a mis-classification of certain drug and medical supply items. Under Non-Operating Revenue, he stated that the significant variance under Accrued Interest on Appropriations appeared as a result of a misunderstanding concerning the timing of collection of funds from the State. It was noted that Central Administration may rectify this mistake. In summary, Mr. Fearing pointed out that the variance of \$900,963 in excess of revenue over expenses equaled 1.48% of total budget revenue.

Briefly, Mr. Fearing explained the breakdown of billing adjustments, charitable care, and other contract adjustments. He pointed out that Unidentifiable Charges were those which were illegible or could not be identified to a specific patient. In

examining the preliminary cash flow statement, he explained that although there existed a deficit in cash flow to fully fund price level depreciation, the Hospitals reserve position was healthy.

There being no further business, Chairman Holmquist adjourned the Finance Committee meeting at 12:40 p.m., for lunch.

Respectfully submitted,

Johnelle Foley

Johnelle Foley
Secretary

Minutes

Finance Committee

University of Minnesota Hospitals and Clinics

August 18, 1976

Members Present: Stanley Holmquist, Chairman
John Quistgard, Vice Chairman
David Brown, M.D.
David Cost
Al France
Jeanne Givens
David Preston
Don Van Hulzen
John Westerman

Members Absent: Don Brown
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self-insurance or establishing a captive insurance company. He explained that the decision was recently made to purchase a front policy from the Insurers of North America Company for \$3 million annual aggregate professional liability coverage. He noted that the policy did not cover everything but that separate policies were purchased for most un-included items. Mr. Diehl commented that the University's goal was to acquire additional coverage and that the purchase of this policy was seen as a means to achieving that goal. He further stated that it was hoped that the tort claims act would be helpful in its limiting of liability. Mr. Diehl added that University Hospitals presently had \$20 million in pending malpractice suits.

Chairman Holmquist inquired as to the Board's responsibility and involvement in the acquisition of suitable coverage. Mr. Atwood reminded the Committee that the Board had made the decision to accept the Universities determination of a package. The Committee then decided that a further discussion of this issue would be appropriate after September 1st when more information would be available.

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increasing in-patient costs; increasing out-patient visits; and increasing out-patient costs due to more involved procedures being conducted on an out-patient basis.

Mr. Fearing then discussed the Preliminary Statement of Operations. In citing significant variances, he noted that retroactive adjustments were made to Third Party Contract Adjustments. Other Contract Adjustments included a change in the method of calculating kidney donors revenue while the Allowance for Uncollectible Accounts was reduced from 2.9% of gross charges to 2.1%. Mr. Fearing stated that the availability of fewer research grants caused the decline in the Departmental Non-Patient Revenue item. In reviewing Expenditures, he explained that salaries were budgeted to include the estimated cost of the union contract settlement and that Physician Compensation was above budget because physicians under combined billing contracts had reached their maximums. Laundry, linens and raw foods were under budgeted due to an unforeseen decline in the inflation rate. Blood, Drugs, and Medical Supplies were over budget because of increased utilization and utilities were under budgeted due to an unexpected decreased need for steam caused by the mild weather. Mr. Fearing explained that the variance for General Supplies and Expense was basically the result of a mis-classification of certain drug and medical supply items. Under Non-Operating Revenue, he stated that the significant variance under Accrued Interest on Appropriations appeared as a result of a misunderstanding concerning the timing of collection of funds from the State. It was noted that Central Administration may rectify this mistake. In summary, Mr. Fearing pointed out that the variance of \$900,963 in excess of revenue over expenses equaled 1.48% of total budget revenue.

Briefly, Mr. Fearing explained the breakdown of billing adjustments, charitable care, and other contract adjustments. He pointed out that Unidentifiable Charges were those which were illegible or could not be identified to a specific patient. In

examining the preliminary cash flow statement, he explained that although there existed a deficit in cash flow to fully fund price level depreciation, the Hospitals reserve position was healthy.

There being no further business, Chairman Holmquist adjourned the Finance Committee meeting at 12:40 p.m., for lunch.

Respectfully submitted,

A handwritten signature in cursive script that reads "Johnelle Foley".

Johnelle Foley
Secretary

Minutes
Finance Committee
University of Minnesota Hospitals and Clinics
October 20, 1976

Members Present: Stanley Holmquist, Chairman
John Quistgard, Vice Chairman
Don Brown
Lillian Burke
Al France
Jeanne Givens
Frederic Kottke, M.D.
Don Van Hulzen
John Westerman

Members Absent: David Brown, M.D.
David Cost
David Preston

Staff: Clifford Fearing
John Diehl
Johnelle Foley

Guests: Harry Atwood

The meeting of the Finance Committee of the Board of Governors was called to order at 9:15 a.m., by Chairman Holmquist.

I. Approval of August 17, 1976 Minutes

Mr. Quistgard moved that the minutes of the August meeting be approved as received. The motion was seconded and passed.

II. Professional and Legal Liability Update

Chairman Holmquist stated that the Finance Committee should, at this point, begin to consider the feasibility of completing the 1976-77 fiscal year with its instituted 9.3% rate increase or further increasing rates in January of 1977. He noted that determination on this matter would be influenced by the cost of professional liability insurance for the Hospitals and requested that Mr. Diehl provide the Committee with an update on the current status of the University's insurance negotiations.

Mr. Diehl pointed out those specific areas for which the University has obtained coverage. He explained that there is a policy in place covering the Officers and Directors of the University, including the Board of Governors as required by the Board Bylaws. He also charted the coverage of the University in terms of providing general and professional liability. He stated that the base level policy which has been placed with the Insurance Company for North America involves a \$1.6 million minimum to a \$6 million maximum premium for \$3 million of coverage per occurrence and per claim with a \$3 million annual aggregate. He added that the hospital's portion of this premium could potentially be 40-45%. He further stated that two additional layers of coverage had been placed, one being at \$2 million and the other being at \$10 million.

Mr. Van Hulzen noted that Mr. Diehl's presentation demonstrated the gaps in knowledge pertaining to the exact amounts involved in securing sufficient liability coverage for the University. He commented on the difficulties which this situation presented in terms of accounting and planning budgets appropriately. He mentioned that essentially, the exact premium for this year will not be determined until three years after the close of the first policy year based on actual claims experience and noted that the University was in essence involved in self-insurance. Mr. Van Hulzen added that questions remained regarding the exact portion of the premium which University Hospitals would be required to pay. He mentioned that presently a breakdown of 40% for the Hospitals, 40% for Medical Staff and housestaff, and 20% for the University has been suggested. He further stated that the hospital's owed a premium for the "reporting endorsement" on last year's claims made policy. He re-emphasized the difficulties involved in estimating insurance costs when the

policy forms have premiums based on experience.

Dr. Kottke commented that the insurance matter had been brought before the Clinical Chiefs and that there had been a sense among that group that the coverage provided in the insurance package being considered was in excess of Medical Staff needs. Mr. Van Hulzen explained that this is basically a Dean's academic issue for faculty and resident students and not a hospital matter. He added that that which appeared to be excessive coverage for an individual may appear inadequate when aggregate coverage is considered, since the coverage is the same amount in both cases.

Chairman Holmquist summarized that this insurance situation could essentially cost University Hospitals over \$1 million dollars. It was mentioned that consideration should be given to advising the University to more thoroughly review the amount of coverage being pursued and the Hospitals' allocation in terms of the premium. Chairman Holmquist stated that this matter was brought before the Committee as an issue to be aware of when the question of a January rate increase is to be considered.

Mr. Fearing explained that a rate increase or potential rate increase must be made known to the Minnesota Hospitals Association's Rate Review Panel by October 31, 1976. He added that the possible increase could be examined by the Board again in November, with final action in December. It was the decision of the Finance Committee to table further discussion on the insurance coverage issue until Mr. Donald Brown of the University's Central Administration, joined the meeting.

III. First Quarter Financial Reports 1976-77

Mr. Fearing reviewed with the Finance Committee a charting of In-patient Census Data by Major Category. He noted that the projected occupancy rate to this point had been estimated at 78.2%, whereas the actual rate was 75%. He stated that such factors as a reduction in the average length of stay in Med-Surg, the delayed opening of the Epilepsy Unit, and low utilization of the Bone Marrow Transplant Program as affecting the occupancy rate. He demonstrated through other charts and graphs that this downward trend showed its affects throughout the operations of the Hospitals.

Dr. Kottke commented that perhaps the decrease in the hospital's utilization could be caused by the poor accessibility.

The Committee discussed this factor briefly and decided to bring the issue before the Facilities Committee at the Joint Finance and Facilities Committee meeting in November. Mr. Van Hulzen further stated that the trend picture could actually be worse than demonstrated presently, as the first quarter is normally the more active with the second quarter being very slow due to the holidays. He concluded that had the average length of stay remained at 10 days, all other 1976-1977 projections would have been on target.

Mr. Fearing then examined with the Committee the Statement of Operation for the period from July 1, 1976 to September 30, 1976. Under Expenditures he noted that the variance in Laundry and Linen would be reduced with the planned purchase of additional linen. Similarly, the variance for Raw Foods would decrease with the completion of the kitchen remodeling project. He stated that an examination is to be made of the inventory control systems for Drugs, Blood, and Medical Supplies to determine the reason for the variances from budget in

those areas. He also explained that the variance of 26.4% for Insurance does not include the liability policy presently being considered by the University. He summarized that the decrease in utilization caused concurrent declines in both revenue and expenses. Thus, this resulted in slight variance of \$106,581 in excess of revenue over expenses equaling 0.64% of total budget revenue.

Mr. Fearing referred to the Income Statement which, as he explained, summarized the previous discussion and would be distributed to the Board. In the Operating Cash Flow Statement, he demonstrated a net deficit of \$500,804. In the Projected Comparison of Operation Statement and the Statement of Cash Flows, Mr. Fearing projected that we should achieve our financial objective if rates are increased to cover the added costs of unbudgeted items, i.e., insurance and January Cost of Living. He then noted the affect which the increase in salaries and fringe benefits would have on the hospital's financial picture and added that this did not take into consideration the impact of liability insurance. Mr. Fearing then reiterated the rate review timing requirements and suggested that the Committee would be taking this matter up in more detail in November.

IV. Professional and Legal Liability Update

When Mr. Brown joined the meeting he was asked to further explain the University's negotiations for professional liability coverage. Mr. Brown began by stating that there is presently \$15 million of insurance coverage in place. He explained the negotiations with the Insurance Company of North America which provided the \$3 million base coverage. He also noted that the INA had asked for some

assurance should the experience of the University be poor, that certain reserves would be pledged. This was done in part by pledging \$4 million of hospital reserve funds. He explained the 40% formula for the Hospitals' portion of the premium payment could be reviewed but that it was his hope that the insurance companies would assist in determining that break down.

Mr. Brown stated that the coverage which the University was attempting to obtain was, in his opinion, minimal and mentioned that it was his desire to go completely to self insurance. He explained however, that coverage was being placed in the interim. He mentioned that the University has over \$2 billion in assets and that a goal of \$25 million in coverage was being sought. He noted that the first level of this insurance would be expensive to obtain but that it was necessary to have a policy in place before additional levels could be purchased. He added that these additional levels would be less difficult to obtain but emphasized the complexities of this problem due to the University's lack of claims experience.

Mr. Brown then explained the legislative act which stated that the State would be liable for its employees up to \$100,000. He mentioned that this coverage was, in his opinion, inadequate and could be contested.

Dr. Kottke raised his question concerning the amount of coverage being considered for the physicians. Mr. Brown explained that this was a matter of institutional liability to cover the Regents and their many assets. He also pointed out the advantages of the new policy being based on occurrence rather than claims made, even though actual premiums are determined by experience.

Mr. Atwood inquired as to whether the planned %40 allocation of the premium to the Hospitals could not be reconsidered. Mr. Brown noted that the bulk of the liability concerns were with the hospitals and physicians malpractice potential. It was stated that the hospital presently has approximately \$20 million in suits pending, non of which are covered by the policies now in force.

The remainder of the agenda was not discussed because of the late hour.

Respectfully submitted,

Jhnelle Foley /ps
Jhnelle Foley
Secretary

Minutes

Finance Committee

University of Minnesota Hospitals and Clinics

August 17, 1976

Members Present: Stanley Holmquist, Chairman
John Quistgard, Vice Chairman
David Brown, M.D.
David Cost
Al France
Jeanne Givens
David Preston
Don Van Hulzen
John Westerman

Members Absent: Don Brown
Lillian Burke
Frederic Kottke, M.D.

Staff: Clifford Fearing
John Diehl
Johnelle Foely

Guests: Greg Hart
Judy Keagy
Nehls Larsen
Royce May
Darrell Mayfield
John Schlieff

The meeting of the Finance Committee of the Board of Governors of University of Minnesota Hospitals and Clinics was called to order at 9:45 a.m., by Chairman Holmquist.

I. Approval of June 16, 1976 Minutes

Mr. Quistgard moved that the minutes of the June meeting be approved as received. The motion was seconded and passed.

II. 1977-1978 Budget Preparation (Outline Attached)

Mr. Van Hulzen explained the changed circumstances which will affect the timing of the budget preparation for next year. He noted that 1977-1978 will be the first year of a new biennium which will mean that the level of state appropriations will not

be known immediately nor will the impact of the state pay plan. He also stated that the new state Rate Review Law required the submission of a detailed budget and proposed rate change plan 60 days in advance of putting new rates into affect. He further indicated that Medicare & Medicaid reimbursement regulations may be modified to restrict revenue and/or require changes in rate structuring but that the timing of such a decision and changes was unknown.

Mr. Van Hulzen cited three basic elements of the budget which would be affected in terms of sequencing decisions because of the changed circumstances. He stated that major program changes would have to be identified by December for inclusion in the Annual Plan by January. He noted that volume estimates would have to be made by January, followed by workload and productivity estimates in February. Inflationary increases would have to be dealt with in March and April. Mr. Van Hulzen explained that this timetable would allow for the submission of the budget estimates and required rate changes to the Rate Review Program by May 1st. He then added that the Board of Governors could take May and June to study the budget and rates for possible reductions. Final Regents' and University Administration approval would be sought in June. Mr. Van Hulzen also mentioned that consideration should be given to establishing general budget guidelines by September and incorporating the Council of Clinical Chiefs' Program Review Committee into the budget preparation process.

Mr. Atwood commented that this plan for early Board involvement in the budget process was consistent with expressed interest by Board members for early policy involvement. He mentioned that should the Board decide to devote its September meeting to a seminar discussion, budget guidelines could be considered as a topic of interest to the Board.

In response to questions regarding the Minnesota Hospital Association's Rate Review Program, Mr. Fearing explained that the program was still voluntary only to the extent that hospitals could be reviewed by the Association or the Minnesota Health Department, assuming the Association program is certified by the MHD. He indicated that there had been 10 rate denials by the review panels with 2 appeals resulting in one approval of a panels' decision and one partial rate increase. He further mentioned that the program was accustomed to and geared for dealing with estimates. Mr. Preston stated that in terms of making estimations, legislation appropriations were somewhat predictable while cost of living increases and pay plan decisions were not.

Ms. Givens moved that the Finance Committee accept the proposed budget timetable and recommend its approval by the Board of Governors. The motion was seconded and passed.

II. Fourth Quarter Credit Losses

Mr. Van Hulzen explained that \$116,372.46 was recommended for write-off during April 1, 1976 through June 30, 1976. He added that recoveries during this time amounted to \$30,819.07 leaving a new charge off of \$85,553.39. He noted that the total identified uncollectible accounts for the four quarters amounted to \$904,000. He added that last year's total bad debts equalled \$1,175,000.

Discussion then followed concerning the affect which working with patients can have on the collection of accounts. Comments were also made by Mr. Westerman concerning the affect which the Board's presents had on stimulating efficient financial managing. Mr. France then moved that the Finance Committee recommend that the Board of Governors approve the writing off of \$116,372.46 as bad debts. Ms. Givens seconded the motion and it was passed.

IV. Minnesota Hospital Association Rate Review

Mr. Westerman explained the history of the Hospital Association's involvement in rate review. He noted that the program was established as a process by which the industry would attempt to provide its own regulation. He commented that he felt the program which is established is most viable and professional and far exceeds the attempts of the State Health Department to develop its own review program.

Mr. Westerman reported that the University Hospitals presentation of its budget and rate request to the review panel consisted of an initial discussion of the Hospitals' mission and role in the state as the clinical setting for teaching and research and how this role affected the hospitals' costs. Mr. Van Hulzen presented the panel with a description of the budget process. Mr. Fearing reviewed the various materials and forms which had been submitted.

Mr. Fearing explained that the rate review panels were made up of 7 members, 4 of whom were consumers, 1 administrator, 1 health finances person, and 1 independent accountant. He noted that their questions were probing, and that some were initiated by thorough staff review and analysis. He added that approximately 90% of the hospitals sought rate increases and that University Hospitals rate increase fell in the median of those requests. He commented that most rate increase denials were caused by hospitals who were unable to substantiate their requests. Mr. Fearing then reviewed with the Committee the various forms which were submitted to the rate review panel. He concluded by stating that the Hospital Association was compiling statewide comparative ratios which can be used in identifying service cost trends.

V. Professional and Legal Liability Insurance

Mr. Diehl reported that with the limitations placed on its sovereign immunity, the University had investigated several alternatives to secure liability insurance, such as providing

self-insurance or establishing a captive insurance company. He explained that the decision was recently made to purchase a front policy from the Insurers of North America Company for \$3 million annual aggregate professional liability coverage. He noted that the policy did not cover everything but that separate policies were purchased for most un-included items. Mr. Diehl commented that the University's goal was to acquire additional coverage and that the purchase of this policy was seen as a means to achieving that goal. He further stated that it was hoped that the tort claims act would be helpful in its limiting of liability. Mr. Diehl added that University Hospitals presently had \$20 million in pending malpractice suits.

Chairman Holmquist inquired as to the Board's responsibility and involvement in the acquisition of suitable coverage. Mr. Atwood reminded the Committee that the Board had made the decision to accept the Universities determination of a package. The Committee then decided that a further discussion of this issue would be appropriate after September 1st when more information would be available.

VI. 1975-1976 Financial Review

Mr. Fearing reviewed with the Finance Committee, the Preliminary Financial Statements for 1975-1976. He began with a graphic presentation of the breakdown of expenses and revenue. In further reviewing the direct expense summary, the Committee discussed salary conditions and requested staff to provide an analysis of salaries.

In summary, other trends identified by the Committee in reviewing the 1975-76 financial and statistical statements included: an increase in the FTE's in ancillary services which is the fastest growing area of service and revenue; a slight decrease in other operating revenue; a total of 25% cash received from commercial insurers; an increasing occupancy rate after leveling out with decreasing lengths of stay; an increasing admissions rate; a patient days trend similar to that of occupancy rates;

increasing in-patient costs; increasing out-patient visits; and increasing out-patient costs due to more involved procedures being conducted on an out-patient basis.

Mr. Fearing then discussed the Preliminary Statement of Operations. In citing significant variances, he noted that retroactive adjustments were made to Third Party Contract Adjustments. Other Contract Adjustments included a change in the method of calculating kidney donors revenue while the Allowance for Uncollectible Accounts was reduced from 2.9% of gross charges to 2.1%. Mr. Fearing stated that the availability of fewer research grants caused the decline in the Departmental Non-Patient Revenue item. In reviewing Expenditures, he explained that salaries were budgeted to include the estimated cost of the union contract settlement and that Physician Compensation was above budget because physicians under combined billing contracts had reached their maximums. Laundry, linens and raw foods were under budgeted due to an unforeseen decline in the inflation rate. Blood, Drugs, and Medical Supplies were over budget because of increased utilization and utilities were under budgeted due to an unexpected decreased need for steam caused by the mild weather. Mr. Fearing explained that the variance for General Supplies and Expense was basically the result of a mis-classification of certain drug and medical supply items. Under Non-Operating Revenue, he stated that the significant variance under Accrued Interest on Appropriations appeared as a result of a misunderstanding concerning the timing of collection of funds from the State. It was noted that Central Administration may rectify this mistake. In summary, Mr. Fearing pointed out that the variance of \$900,963 in excess of revenue over expenses equaled 1.48% of total budget revenue.

Briefly, Mr. Fearing explained the breakdown of billing adjustments, charitable care, and other contract adjustments. He pointed out that Unidentifiable Charges were those which were illegible or could not be identified to a specific patient. In

examining the preliminary cash flow statement, he explained that although there existed a deficit in cash flow to fully fund price level depreciation, the Hospitals reserve position was healthy.

There being no further business, Chairman Holmquist adjourned the Finance Committee meeting at 12:40 p.m., for lunch.

Respectfully submitted,

Johnelle Foley

Johnelle Foley
Secretary

Minutes
Finance Committee
University of Minnesota Hospitals and Clinics
November 17, 1976

Members Present: Stanley Holmquist, Chairman
John Quistgard, Vice Chairman
David Brown, M.D.
Don Brown
Lillian Burke
David Cost
Al France
Frederic Kottke, M.D.
Don Van Hulzen
John Westerman

Members Absent: Jeanne Givens
David Preston

Staff: Clifford Fearing
John Diehl
Johnelle Foley

Guests: Mary Lebedoff
Judy Kaegy
Greg Hart

The meeting of the Finance Committee of the Board of Governors was called to order by Chairman Holmquist at 9:15 a.m.

I. Approval of October 20, 1976 Meeting

Dr. Kottke moved that the minutes of the October meeting be approved as received. The motion was seconded and passed.

II. July - October YTD Financial Reports

Mr. Fearing reviewed with the Finance Committee his Controller's Report (see attached) for the fiscal period July 1, 1976 to October 31, 1976. He explained that the new format in narrative style was provided as a summarization of activities and financial trends for the period.

The Committee discussed various aspects of the report. Dr. Kottke pointed out that the decline in ancillary services was not caused by the reduction in patient

days alone. He noted that the Clinical Chiefs, in an attempt to reduce costs to patients, are making a concerted effort to monitor the ordering of potentially unnecessary tests. The Committee also discussed the kidney transplant program including ratios and costs related to living versus cadaver donors. Concurrent with other trends, it was noted that salary levels were under budget. Mr. Fearing explained that some budgeted positions have not been filled but added that this item will even out with the cost of living increase to Civil Service employees. Chairman Holmquist inquired if the number of beds could not be cut back to provide more space within the Hospitals and reduce hospital costs. Mr. Van Hulzen and Dr. Kottke explained that such a measure could have a detrimental affect on the functioning of particular services. Mr. Fearing stated that staffing patterns are co-ordinated, to the extent possible, with the utilization of beds.

In conclusion, Mr. Fearing explained that the reduction in patient revenue and the corresponding decline in salaries and supplies provided a result consistant with the financial plan. He stated that he did not feel a need to make adjustments at this time, but recommended holding until the affects of the University's insurance plan and pay plan can be assessed. Mr. Quistgard pointed out that although this trend may necessitate a rate increase at this time, it did represent a trend to reduce health care costs. Mr. Cost asked how expenditures were being held down. Mr. Fearing commented that there is close scrutiny of the budget on a monthly basis, that the budget committee monitors trends and reports those trends to the Management Committee who then interfaces with department heads to establish new budget guidelines. He added that with the reduced activity it was possible for some departments to under spend their budget. Also, some budgets for supplies exceed requirements due primarily to price inflation estimates in excess of actual experience.

Ms. Burke raised a concern pertaining to he settlement of the union contract. She noted that the matter of providing former employees the benefits of the new salary

contract was being contested by the University in the courts and stated that she felt this challenge to be inequitable. Mr. Westerman explained that this was essentially a University Personnel issue. Mr. Brown commented that the University viewed the matter as dangerous in setting a precedent which could be difficult to deal with in future matters. He noted that the dollar amount involved in this situation is seen as insignificant but that capable University Personnel officers felt the possible precedent represented must be dealt with. Ms. Burke concluded that she remained concerned with the issue and queried as to whether such a matter did not raise questions as to the Board of Governors' role in such decisions.

III. Revenue/Cost Analysis for 1975-1976

Mr. Fearing introduced Schedule I to the Committee which depicted programmatic gains and losses for 1975-1976. He explained that these figures were calculated by taking the revenues from charges and subtracting revenue reductions such as provisions for charitable care, etc. From this net revenue figure, he stated that direct expenses such as salaries, fringe benefits, supplies and equipment depreciation were subtracted, as well as indirect expenses such as heat, light, environmental services, administration, building depreciation, medical records, social service, etc.

Dr. Kottke raised concern that such a statement did not represent a true picture of certain department's present standing, nor any historical presentation of such considerations as legislative appropriations. Specifically, Dr. Kottke stated that he feared such a display could jeopardize the continuation of a service such as Rehabilitation. Mr. Van Hulzen explained that Schedule I was not intended to elicit value judgements about departments or their efficiency but rather was presented only to show rates charged to patients in comparison to the costs of providing various services. He stated that the Schedule was meant to be of assistance in understanding the rate structure of the hospital. In terms of appropriations which come to the Hospitals, he commented that, should they desire, the Board could establish policy directing the allocation of appropriations to specific programs.

Mr. Van Hulzen added that Schedule II demonstrates the affects of legislative appropriations.

Dr. Brown sought clarification of discrepancies in figures which he had for the Laboratories. Mr. Fearing pointed out that Schedule I was a presentation of last year's activities. He also mentioned that changes in charges could have some affect, but that price changes were recorded as revenue immediately upon such changes. Mr. Fearing agreed that they could investigate further any discrepancies and confer to assure that both he and Dr. Brown are considering related units of service.

Ms. Lebedoff inquired about the Obstetrics program. Dr. Kottke explained that by providing such a service there is consistency with the University's, the Hospitals' and the Medical School's mission. He noted that financially the program was inefficient in utilization but that it provided the required service for patients and the need of a clinical site for students. Mr. France asked if the service could be provided more appropriately at an adjacent hospital. Dr. Kottke explained that this is done to a certain extent with the affiliated teaching hospitals but added that it is detrimental to the health center complex and would affect the relationship with University Hospitals gynecology service.

Mr. Fearing completed his examination of Schedule I by noting that the objective in Intensive Care Units is to maintain a breakeven status. In terms of the Sterile Protection Isolation Unit, he explained that grant payments were included and functioned like insurance in the paying of bills.

After studying Schedule II, the Finance Committee discused the implications of the Civil Service pay plan and the affects of the January 1977 cost of living salary increase on the Hospitals' financial plan. Consideration was given to the appropriateness of the Board of Governors registering its objections as to how the plan is handled. With reference to Schedule III, Mr. VanHulzen explained thatit simply

represented a different way of displaying sources and applications of funds as demonstrated in Schedule II.

Mr. Fearing briefly mentioned the Income Statement which he would be reviewing with the full Board of Governors. He reported that the letter requesting the 2.6% rate increase has been submitted to the Minnesota Hospital Association's Rate Review Panel and that the Board should be prepared to take final action on that matter in December.

IV. Capital Finance Framework

Mr. Fearing began the discussion of capital financing by citing certain assumptions that were made in the preparation of the schedule of anticipated capital requirements. He noted that circumstances surrounding assumptions 3 and 4 had already changed.

Dr. Brown asked if funds were provided in the capital plan to remodel the vacated Business Office space for Laboratories. Mr. Van Hulzen explained that the space, once vacated, belonged to the Health Sciences and thus, at this point was not dedicated to Labs. Therefore, he added that funds were not included in this very preliminary schedule. He added that this schedule only included capital projects to which University Hospitals is committed. Ms. Lebedoff commented on the frustrations of the Facilities Committee in dealing with matters which were previously decided upon. Mr. VanHulzen commented that the Committee should ask for information and make recommendations consistent with the charge contained in the By-laws.

Ms. Lebedoff also raised the matter of how the University Stadium space would be utilized should it be vacated. Mr. Van Hulzen suggested that it would be necessary for the Hospitals to present a plan to Central Administration as to how University Hospitals could utilize and benefit from that space. Dr. Brown commented that of more immediate concern was the space in the Mayo Building. Mr. Quistgard inquired as to who owns the Mayo space. Mr. Brown explained that the space belonged first to the University, then to the Health Sciences and the Hospitals. He added that

although the Regents rejected the funding source and granted funded depreciation to the occupying unit, they maintained the right to make final decisions on utilization. Mr. Brown suggested the Board of Governors should serve to support utilization recommendations of the Hospital.

The Committee then examined the status of approved or recurring capital projects. In discussing the various projects, Mr. Fearing indicated that the listed estimated costs were early estimates and demonstrated in certain cases that they were already subject to change. He further explained that the statement involved projects only up to Unit K/E. He added that an additional \$25,000 would be required for K/E and that this would be sought through the least expensive source of funds.

The Committee then discussed various aspects of communication channels between both Board members and staff and committees. Mr. Van Hulzen commented that staff's function was to manage, while the Board served to determine whether that management function was being conducted in the best manner possible. He added that the only way the Board could make such a judgement was by requiring staff to keep Board members currently apprised of on-going management activities.

V. Cash Receipts by Source - First Quarter 1976-1977

Mr. Van Hulzen directed the Committee's attention to an analysis of income deposits by source. He pointed out that the bottom line showed the needed increase in income each year. He also commented on the decreasing role of the patient as a source of income due to insurance. He indicated that this trend caused increasing difficulties in health care planning and the allocating of resources, as it separated actual utilization from the economics of the systems. Mr. Van Hulzen mentioned that he felt this schedule would be more meaningful at the end of the year.

VI. Other

Mr. Cost asked who was responsible for the setting of the administrative staff's salaries. Mr. Van Hulzen explained that the staff was under the University's Management Salary Plan which in 1976-77 allowed a yearly performance increase of 0-10% with not more than an aggregate of 6% for the hospital group. He stated that Mr. Westerman determined these increases and that his salary was determined by the Central Officers. Mr. Van Hulzen suggested that he could provide the Committee with a national survey of health executive salary ranges in the Spring for review and recommendation.

Chairman Holmquist stated that a joint Finance and Facilities Committee meeting will take place on December 6th and that the next Finance Committee meeting will be on December 15, 1976. He added that at that point, the Committee will make its final decision on the rate increase.

There being no further business, the meeting was adjourned to lunch at 12:30 p.m.

Respectfully submitted,

Johnelle Foley
Secretary

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS
CONTROLLERS REPORT
FOR THE FISCAL PERIOD
JULY 1, 1976 TO OCTOBER 31, 1976

The first four months of the 1976-77 fiscal year have produced several significant trends. These trends projected to our year end indicate that close scrutiny of our expenditures and accounts receivables will be necessary to achieve our planned budget results for the fiscal year.

The primary trend is our downward trend experienced in inpatient census levels. Our first four months of experience indicates a 2.8% decline in patient days from 73,353 patient days for the same period in 1975-76 to 71,311 during 1976-77. This is caused by a decline in the average length of stay from 9.8 days in 1975-76 to 9.4 days in 1976-77, while the number of admissions rose from 7,347 to 7,460 during the respective periods.

This decline has caused the routine daily service rate revenue to be reduced by 2.2% from our budgeted levels for the first four months of the fiscal year.

In the ancillary service area, several revenue centers are experiencing reduced productivity as compared to our budget which has created a 5.13% variance from our planned budget for ancillary revenues.

If these trends continue for the remaining months of our fiscal year, our total estimated patient care revenues will be reduced by approximately \$2,800,000. However, revenue deductions have decreased proportionately in most areas to reduce the effect of the revenue decline to \$2,659,667.

On the positive side, operating expenses for the four month period have not been expended at the planned budget level.

Salary levels are under budget by approximately 1% even though the union contract settlement was higher than planned, and the majority of the summer vacation relief was used through the first quarter of the fiscal year.

Physician compensation expenditures have declined in direct proportion to the ancillary service revenues on which they are based.

Budget adjustments are being reviewed to reduce our planned levels of expenditures in the medical supply, drugs, blood and blood derivative areas which are a result of the decreased utilization. The planned inflation factors for medical supplies and photographic film also impact these expenditure levels.

Several areas of general supply and expense are under budget because of the decline in expected utilization such as laboratory supplies and rental of respiratory therapy equipment. Two areas have been intentionally reduced or eliminated; the microfiche project in Medical Records and the increase in computer rentals for 1976-77. Other areas of expense have experienced a decline such as office, custodial and printing supplies. The net result of this four month trend is a 4.95% variance in total expenditures exclusive of Campus G/A which is a non-cash expense and the change in projected insurance expense for 1976-77. Projecting this decline for the full fiscal year will mean a decrease of \$3,699,993 in expenditures which when compared to the \$2,659,667 reduction in planned patient revenues results in an increase to our planned excess revenue projections of \$1,040,326. However, several of the below budget expenditures are not expected to continue or continue at their present decreased levels. These are Laundry/Linen at \$40,018, printing supplies \$38,896, repairs and maintenance for \$77,605, custodial supplies at \$16,790, rentals at \$69,209 and consulting fees \$55,503. These changes would reduce our excess revenue projection of \$1,040,326 by \$894,063. In addition, we have "minimum" contracts for physician compensation which will require \$135,473 above current expenditure levels. These projected changes will eliminate our excess revenue over planned budget and create a \$10,785 deficit. At this time, we do not feel it is necessary to make any adjustments for this shortage since we are not certain of our exact levels of occupancy or expenditures for the remainder of the fiscal year.

SCHEDULE I

UNIVERSITY OF MINNESOTA HOSPITALS
DEPARTMENTAL GAIN/(LOSS)
1975-76

	<u>Gain/(Loss)</u>	<u>Gain/(Loss)</u> per <u>Pt. Day/Unit</u>	<u>%</u> <u>Gain/(Loss)</u>
Medical/Surgical-Adult	\$ 329,735	2.51	2.37
Medical/Surgical-Peds	(629,748)	(22.80)	(16.84)
Rehabilitation	(1,920,394) (*)	(184.12)	(147.19)
Psychiatry	(1,747,434) (1)	(121.66)	(112.73)
Obstetrical Services	(743,126)	(1,080.13)	(126.15)
Clinical Research Center	-0-	-0-	-0-
<u>Intensive Care Units</u>			
Respiratory Care Unit	27,486	34.27	10.61
Station 22	(97,615)	(17.36)	(9.95)
Station 33	(33,645)	(32.48)	(15.20)
Station 44	(70,220)	(19.45)	(6.71)
Station 45	134,078	20.89	8.02
Station 53	41,327	27.51	12.50
Coronary Care Unit	2,420	2.65	1.03
Sterile Protective Isolation	70,333	73.19	21.94
Total ICU	74,164		
Clinical Labs	421,090		4.72
Blood Bank	(140,806)		(6.92)
Surg. Path & Immunopathology	(116,882)		(23.98)
Heart Cath Nsg & Lab	(154,020)		(67.63)
Radiology	135,965		2.52
Kidney Dialysis Acq & Donors	(146,250)		(11.43)
O.R., P.A.R. & Anesthesiology	185,138		3.39
Pharmacy	413,130		7.64
CSS	(14,475)		(.64)
Patient Transportation	(120,583)		(142.48)
Patient Monitoring	(89,834)		(67.23)
Other Ancillary Procedures	(189,582)		(10.17)
	<u>\$(4,453,912)</u>		

(*) Includes estimated educational expenses of \$334,534.

(1) Includes estimated educational expenses of \$423,653.

Schedule II

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
 PRELIMINARY SOURCE AND APPLICATION OF FUNDS
 BASED ON DEPARTMENTAL OPERATIONS
 FISCAL YEAR 1975-76

Sources of Funds

Net Operating Loss Schedule A	\$(4,453,912)
Net Operating Loss from Outpatient Direct Activity	(2,169,364)
Prior Year Kidney Revenue Reductions	(181,651)
Other Operating Gain/(Loss)*	93,449
Net Operating Loss	<u>\$(6,711,478)</u>
Appropriations	7,004,635
Interest Income	951,527
Campus G/A	2,670,222
Depreciation	1,547,449
Increase in Accrued Expenses, Change Encumbrances/Decreased Accrued Income	<u>2,434,762 (A)</u>
Total Funds Provided	\$ 7,897,117
<u>Funds Applied</u>	
Major Building Projects	\$ 246,432
Other Capital Expenditures	2,005,729
Increase in Accounts Receivable	2,134,969
Increase in Inventories	221,679
Total Funds Applied	<u>\$ 4,608,809</u>
Total Funds Available	\$ 3,288,308**

* Cafeteria, Coffee Shop, Powell Hall Motel, Professional Fees, Vending Activities, Loss on Disposal of Equipment.

** Available to offset cash requirements in (A) above of \$2,054,079.
 Net available for reserve \$1,234,229.

Schedule III

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS
 PRELIMINARY SOURCE AND APPLICATION OF FUNDS
 BASED ON TOTAL HOSPITAL OPERATIONS
 1975-76

Operating Fund Sources	
Gross Patient Charges	\$61,947,822
Other Operating Revenue	1,199,015
Appropriations/Support	7,004,635
Interest Income	951,527
Depreciation	1,547,449
Campus G/A	2,670,222
Encumbrances Applied to Expenses	380,685
Donations from Restricted Funds	11,839
Total Funds Sources	\$75,713,194
Operating Fund Applications	
Operating Expenditures	\$65,820,847
Major Capital Expenditures	246,434
Other Capital Expenditures	2,005,729
Accounts Receivable Increase	2,134,969
Inventory Increase .	221,679
Professional Fee Payments	642,243
Billing Adjustments	649,323
Contract Adjustments	724,713
Charitable Care	694,390
Allowance for Bad Debts	1,338,638
Total Application of Funds	\$74,478,965
Net Funds Available	\$ <u>1,234,229</u>

UNIVERSITY OF MINNESOTA HOSPITALS
INCOME STATEMENT
FOR PERIOD JULY 1, 1976 TO OCT 31, 1976

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance Over/ (Under) Budget</u>	<u>Variance %</u>
Gross Patient Charges	\$23,679,826	\$22,744,361	\$(935,465)	(4.0)
Deductions from Charges	1,664,749	1,503,685	(161,064)	(9.7)
Other Operating Revenue	<u>368,060</u>	<u>408,454</u>	<u>40,394</u>	10.9
Total Revenue from Operations	\$22,383,137	\$21,649,130	\$(734,007)	(3.3)
Expenditures				
Salaries	\$12,200,153	\$12,083,925	\$(116,228)	(1.0)
Fringe Benefits	1,973,089	1,997,724	24,635	1.3
Contract Compensation	2,146,986	2,083,120	(63,866)	(3.0)
Med Supplies, Drugs, Blood	3,636,307	3,066,119	(570,188)	(15.7)
Campus Admin Expense	928,817	1,314,247	385,430	41.5
Depreciation	550,289	547,423	(2,866)	(.5)
General Supplies & Expense	<u>3,469,769</u>	<u>3,373,283</u>	<u>(96,486)</u>	(2.8)
Total Expenditures	\$24,905,410	\$24,465,841	\$(439,569)	(1.8)
Net Revenue from Operations	\$(2,522,273)	\$(2,816,711)	\$(294,438)	(11.7)
Non-Operating Revenue				
Appropriations/Univ Support	\$ 2,555,118	\$ 2,555,118	-	-
Accrued Interest Income	338,840	338,840	-	-
Shared Services Revenue	<u>-0-</u>	<u>13,080</u>	<u>13,080</u>	.5
Total Non-Oper Rev	\$ 2,893,958	\$ 2,907,038	\$ 13,080	
Total Net Operating Revenue	\$ 371,685	\$ 90,327	\$(281,358) (1)	

(1) Variance equals (1.26%) of Total Budgeted Revenue.



UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospitals
Minneapolis, Minnesota 55455

October 13, 1976

TO: Board of Governors Finance Committee

FROM: Clifford P. Fearing

SUBJECT: Status of Anticipated Capital Requirements July 1, 1976 to
June 30, 1980

The attached schedule compares the projected expenditure status of capital projects which have current approval with the available and projected resources for the period July 1, 1976 through June 30, 1980.

In preparing this summary several key assumptions have been made which, if circumstances change, will alter this report. These assumptions are:

1. That reimbursement and rate regulations will allow for the cash flowing of approximately \$3,000,000 per year.
2. That the expense vs revenue status of U of MH&C will remain such to allow for this level of annual cash flow.
3. That the existing and planned projects estimated costs will not change significantly.
4. That no other major projects will increase these requirements.
5. That existing commitments of reserves will not significantly change due to malpractice requirements, etc.
6. That endowment funds will remain available at existing levels.

Should any or all of these assumptions change, it will affect this schedule and may require adjustments to the hospital rate structure to compensate and complete these requirements.

CPF/tr

enc.

HEALTH SCIENCES

UNIVERSITY OF MINNESOTA HOSPITALS
STATUS OF APPROVED OR RECURRING CAPITAL PROJECTS
JULY 1, 1976 THROUGH JUNE 30, 1980

	<u>Estimated Project Cost 7/1/76</u>	<u>Amount Funded 7/1/76</u>	<u>Estimated Remaining Obligation 7/1/76</u>
Projects:			
Recurring Capital Needs			
Major Moveable Equipment	\$ 8,100,000		\$ 8,100,000 (1)
Annual Renovations	2,599,000		2,599,000 (2)
Accreditation/OSHIA Require- ments Joint Commission	1,500,000	100,000	1,400,000
Short Term Support Projects			
Building BC Phase I	6,600,000	3,815,696	2,784,304
Building BC Phase II	2,000,000	106,090	1,893,910
Building BC Equipment	3,500,000		3,500,000
Building BC Operating Reserve	300,000		300,000
Warehousing	500,000		500,000
Projects under Construction			
Nutrition	2,275,000	421,558	1,853,442
Surgical Pathology	500,000	50,000	450,000
Bacteriology	100,000	25,000	75,000
Mayo 6th Flr Air Cond.	<u>1,108,000</u>	<u>170,000</u>	<u>938,000</u>
Total Projects:	\$29,082,000	\$ 4,688,344	\$24,393,656
Estimated Available Funds:			
Reserve Balances	\$14,852,637	\$(4,500,000) (3)	\$10,352,637
Endowments	7,493,109	(1,900,000) (4)	5,593,109
Gift Funds	560,000		560,000
Est Cash Flows	<u>12,000,000</u>		<u>12,000,000</u> (1)
Total Available Funds	\$34,905,746	\$(6,400,000)	\$28,505,746
Est. Net Funds Available			\$ 4,112,090

- (1) For period 7/1/76 through 6/30/80.
- (2) For period 7/1/76 through 6/30/80 plus carry forward obligation from prior years of \$619,000.
- (3) \$4,000,000 was required to be deposited as guaranteed premiums to obtain malpractice insurance and an estimated \$500,000 is due third parties for prior year reimbursement adjustments.
- (4) Helen Jane Atkinson Fund cannot be committed without a guarantee for funding of existing Health Sciences commitments.

University of Minnesota Hospitals and Clinics

Analysis of Income Deposits by Source

(Rounded to the nearest \$1,000, reported in millions)

First Quarter Results

<u>Payment Source</u>	<u>Dollars</u>			<u>Percent</u>		
	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>	<u>74-75</u>	<u>75-76</u>	<u>76-77</u>
Insurance	2.905	3.677	4.636	22.4	23.7	26.8
Blue Cross	1.738	2.620	2.497	13.4	16.9	14.4
Medicaid	1.615	1.383	2.178	12.4	8.9	12.6
Medicare	2.929	3.823	3.894	22.5	24.7	22.0
Patient Guarantor	1.268	1.249	1.180	9.8	8.1	6.8
Agency Accounts	.306	.426	.518	2.4	2.7	3.0
Collection Agencies	.123	.060	.043	1.0	0.4	0.2
Journal Vouchers	.199	.163	.115	1.5	1.0	0.7
Appropriations	1.418	1.687	1.896	10.9	10.9	11.0
State/County Pts.	.461	.392	.525	3.5	2.5	3.0
Boynton Health Serv.	.097	.086	.033	0.7	0.6	0.2
Other	.213	.214	.247	1.6	1.4	1.4
Refunds	<u>(.276)</u>	<u>(.284)</u>	<u>(.177)</u>	<u>(2.1)</u>	<u>(1.8)</u>	<u>(1.0)</u>
Total	12.996	15.496	17.277	100%	100%	100%

UNIVERSITY OF MINNESOTA HOSPITALS
 INCOME STATEMENT
 FOR PERIOD JULY 1, 1976 TO OCT 31, 1976

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Med Supplies, Drugs, Blood	3,636,307	3,066,119	(570,188)	(15.7)
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Depreciation	550,289	547,423	(2,866)	(.5)
General Supplies & Expense	<u>3,469,769</u>	<u>3,373,283</u>	<u>(96,486)</u>	(2.8)
Total Expenditures	\$24,905,410	\$24,465,841	\$(439,569)	(1.8)
Net Revenue from Operations	\$(2,522,273)	\$(2,816,711)	\$(294,438)	(11.7)
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Shared Services Revenue	<u>-0-</u>	<u>13,080</u>	<u>13,080</u>	.5
Total Non-Oper Rev	\$ 2,893,958	\$ 2,907,038	\$ 13,080	
Total Net Operating Revenue	\$ 371,685	\$ 90,327	\$(281,358)	(1)

(1) Variance equals (1.26%) of Total Budgeted Revenue.

Minutes
Finance Committee
University of Minnesota Hospitals and Clinics
December 15, 1976

Members Present: Stanley Holmquist, Chairman
John Quistgard, Vice Chairman
David Brown, M.D.
Don Brown
Lillian Burke
David Cost
Frederick Kottke, M.D.
David Preston
Don Van Hulzen
John Westerman

Members Absent: Al France
Jeanne Givens

Staff: Clifford Fearing
John Diehl
Johnelle Foley

Guests: Judy Kaegy
Greg Hart

The meeting of the Finance Committee of the Board of Governors was called to order by Chairman Holmquist at 9:15 A.M.

I. Approval of November 17, 1976 Minutes

Mr. Quistgard moved that the minutes of the last meeting be approved. Mr. Cost seconded the motion and it was passed.

II. Rate Increase

Mr. Fearing began the discussion of the proposed rate increase by referring the Finance Committee to the calculation of the January 1977 Cost of Living Impact. The figures indicated a financial requirement of \$505,673. In responding to questions concerning the various categories of personnel, Mr. Fearing explained that Exception referred to administrative positions in the Management Salary Plan and Unscheduled referred to positions hired on a short-term basis. The Committee then discussed the staffing patterns for nursing stations which Mr. Westerman explained to be commensurate

with patient occupancy and acuity level evaluation of each patient during each work shift.

Mr. Fearing next reviewed with the Committee, the Insurance Expense Analysis. He noted that the Hospitals' portion of the premium for liability coverage had been assessed at 40%. He explained that this portion was determined in consultation with the Central Administration of the University and with the assistance of Alexander and Alexander. The 40% estimation of the Hospitals' share of responsibility for the premium is a figure which the Board of Governors can use at this point in considering a rate increase. It is not final in the sense that formal University action has been taken, but it represents a prudent estimate for budget purposes. Should the Hospitals demonstrate good experience, the \$1.6 million anticipated cost for the premium could be reduced to \$1.3 million. However, should experience be bad, it could be raised to as high as \$3 million. The premium deposit due for 1976-1977 is \$677,036 for the base policy plus \$1.5 million for the excess layers. Additional premiums are due if claims are incurred. The base policy minimum premium of \$1.7 million provides about \$1 million for claims losses and expenses. Advances against future premium payments will be placed in interest earning reserve funds.

The Committee then discussed the Hospitals' share of losses as they relate to the pooled risks covered by the program. It was noted again that the program would have to experience less than \$1 million in liability to be awarded the minimum premium. Mr. Diehl pointed out the difficulties in determining what will happen. He indicated that University Hospitals' had fewer suits than most hospitals but that there are some multi-million dollar suits pending and their outcomes are difficult to predict.

It was mentioned that on July 1, 1976, the hospital had budgeted \$482,000 for the premium. Also mentioned was the fact that the Physicians may be assessed 40% of the premium and the University 20%. It was noted that the primary coverage had been in

place since August 1, 1976. The point was made that although the assessment of 40% to the Hospitals was accepted reluctantly as a final figure on the premium, it was helpful in considering a rate increase and prudent to plan for that need now.

Mr. Quistgard moved that the Finance Committee budget the 40% assessment of insurance premium for purposes of budgeting and rate increases.

Dr. Kottke commented on the icy condition of the sidewalks around the hospital and the risk which that caused. Some discussion ensued and Mr. Westerman suggested that he would take the matter to the Deans and Directors of the Health Sciences for their consideration. Mr. Cost asked about the length of the policy. It was explained that the contract would be reconsidered annually on August 1, but that settlements for each year would not be determined three years retrospectively. In terms of moving toward self-insurance, it was suggested that experience will determine when that might be possible. Mr. Diehl informed the committee that we had been instructed not to discuss the limits of the coverage. Mr. Quistgard's motion of acceptance of the 40% assessment to the Hospitals for the insurance program was restated. It was seconded by Dr. Kottke and passed.

The Finance Committee next examined a Summary of the January 1, 1977, Rate Increase. Mr. Fearing showed that the impact of malpractice insurance and the cost of living increase totaled \$1,588,652. Minus working capital reductions, the next increase in revenue required equalled \$1,465,469. He explained that a 2.13% annualized rate increase would be required to meet this requirement. As the rate increase for the first six months of 1976-1977 was 9.6%, he reported that the total rate increase for the year is 11.73%. It was pointed out that Blue Cross had recently reported 14% as the average rate increase for hospitals this years, but that it was not totally accurate to compare that figure with University Hospitals as it is based on a separate set of calculations. Also mentioned was the fact that the \$1.5 million requirement in the last six months of 1976-1977, requires a 4.26% rate increase on January 1.

Dr. Brown raised a question concerning the possible 40% assessment to physicians for the liability insurance program. It was noted that that matter was not addressed in discussions with Central Administration as it was viewed as a University matter unrelated to the Hospitals. Mr. Brown commented that at this time the coverage for the physicians could be seen as supplemental but that full indemnification would be provided after the limits of coverage are exhausted. Mr. Brown went on to explain that the Regents themselves have no money. Rather, they work with four budgets: a physician's private practice budget, a general institution budget, a Hospitals' budget and a support services budget. He indicated that the general operations and maintenance budget which is supported by tuition and State appropriations will meet 20% of the insurance premium. Thus, he explained that Mr. Atwood's letter suggesting that the Regents assume more of the premium was very difficult because O&M funds had not been budgeted beyond 20% of premium.

Other points which were made included the feeling that difficulties in determining the physicians' portion of the premium should not affect the Hospitals portion. Mr. Cost questioned if the fact that revenue and expenses were down could not also be included in the argument for increasing rates. Mr. Fearing explained that that situation only impacted working capital and was not significant enough to be considered by the Rate Review Panel. Dr. Brown moved that a 4.25% rate increase be recommended to the Board of Governors for implementation on January 1, 1977. The motion was seconded and passed.

III. Controllers Report

Mr. Fearing referred the Finance Committee to his memo outlining the trends for the period July 1, 1976 to November 30, 1976. He indicated that the decline in patient days has continued and that this continue was attributable to the decline in the average length of stay. He explained that the decline has caused a 2.6% reduction in daily service rate revenue. He added that ancillary services also continue to experience reduced activity and that there is no significant difference in these

trends from October to November.

Mr. Fearing went on to explained that expenditures have declined concurrently with revenues, but that because of the insurance requirements, the variance is only 1.6% as compared to a reduction of 3.26 in revenues. Mr. Quistgard asked if the reduced length of stays indicated a change in patient mix. Mr. Fearing responded that there was some change in the intensity of care provided to some patients but that generally the trend to shortened stays has been occurring over ten years. Chairman Holmquist inquired if utilization review could not be seen as affecting stays. Dr. Brown commented that a conscious effort by the Medical Staff to reduce costs to patients could be seen as more directly attributable. In conclusion, Mr. Fearing stated that the rate increase with its adjustment for the insurance premium will allow University Hospitals to meet its financial objectives for 1977-1978 if current levels of occupancy, revenue, and expenditures are maintained.

IV. Statement of Operations

Mr. Fearing briefly reviewed the Income Statement for July 1, 1976 to November 30, 1976. He noted that the statement generally showed the same trends in revenue and expense categories as previous months. He stated that \$371,279 represented a variance equaling 1.34% under total budgeted revenue. He indicated that this variance should be made up with the rate increase and that the financial picture should be on target at the end of the year. Mr. Van Hulzen mentioned that in January, the Committee will examine cash flow results for the first half year and that our financial plan is based on funds available to meet reserve objectives.

Discussion then followed concerning Legislative strategy. Chairman Holmquist asked if Mr. Brown would be emphasizing the University's need to meet the insurance premium requirement. Mr. Brown indicated that they would but that no additional appropriations would be sought, only inflationary increases. Mr. Van Hulzen suggested that if the insurance need could have been anticipated, a request might have been considered.

Chairman Holmquist also asked if a request would be made to the Legislature for funding of the capital development program. Mr. Van Hulzen responded that such a request could not be made without a plan. He indicated that the Health Sciences capital development plan will be discussed at the 1977 session.

Mr. Brown commented that the Regents have chosen not to pursue their appeal against the arbitrators decision to provide retroactive pay for former employees who worked during the period covered by the new contract. Mr. Fearing estimated that this would cost the Hospitals between \$150,000-\$175,000. It was suggested that although the decision set a difficult precedent, it may have been a politically necessary choice.

V. Capital Development

Mr. Van Hulzen reported that staff would soon be meeting with representatives from Ernst and Ernst to begin the implementation of a feasibility study. He explained that the study was being conducted to evaluate the Hospitals' debt capacity and alternate forms of debt structure.

VI. Other

Chairman Holmquist mentioned that he would not be present for the January meeting. He commented that should there be no change in the Committee's configuration in 1977, Mr. Quistgard will be chairing the next meeting in his absence.

There being no further business, Chairman Holmquist adjourned the Finance Committee meeting to lunch at 11:15 a.m.

Respectfully submitted,


Johnelle Foley
Secretary

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS
1977-1978 BUDGET PREPARATION

Changed Circumstances from 1976-1977

1. 1977-1978 will be the first year of a new biennium.
 - a. The level of state appropriation will not be known until late in the budget process.
 - b. The impact of the state pay plan will also be known late in the budget process.
2. Under new state Rate Review Law, the budget and proposed change in rates will need to be submitted by May 1, 1977 for new rates to be in place by July 1, 1977.
 - a. This date is 60 days earlier than required for the 1976-1977 budget year.
 - b. These rates need to be stated in terms of an aggregate percentage change and by price for each item of chargeable service.
 - c. The budget and rates could be reduced before July 1st but could not be exceeded without a new submission 60 days in advance of any needed rate increase.
3. It is likely that Medicare and Medicaid reimbursement regulations will be modified in ways that restrict revenue and/or require changes in rate structuring.
 - a. Major policy changes may be involved in making these changes.
 - b. Lead time for response to any such changes is unknown.

Possible Responses to these Changed Circumstances

1. Agreement on sequencing of decisions affecting three basic elements of the budget.

- a. Major program changes scheduled for the budget year.
 - b. Workload and productivity changes scheduled for the budget year.
 - c. Inflation increases impacting the "core" budget.
2. Major program changes
 - a. Identified and quantified by December.
 - b. Incorporated into the Annual Plan by January.
 - c. Approved by the Board of Governors no later than March.
 3. Workload and productivity changes
 - a. Volume estimates for chargeable services made in January.
 - b. Workload/manhour estimate and productivity improvement goals determined in February.
 4. Inflationary increases to "core" budget
 - a. "Hard" data used as available.
 - b. "Soft" data estimates made by March with possible revisions in April.
 5. Best budget estimate and required rate changes
 - a. Submitted by May 1st to state Rate Review Program.
 - b. Reviewed by Board of Governors in May and June for possible reductions.
 - c. Final budget and rates approved by Regents and University Administration in June.

Other Areas of Consideration

1. General budget guidelines set by September.
2. Role of the CCCS Program Review Committee and clinical services in preparation of Annual Plan understood by August.

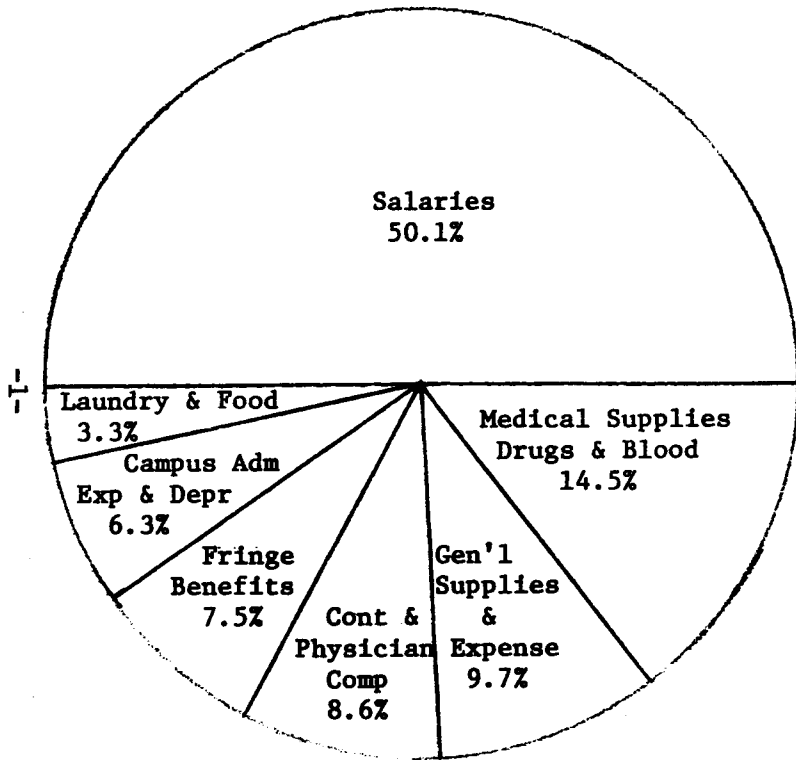
UNIVERSITY OF MINNESOTA HOSPITALS
PRELIMINARY FINANCIAL STATEMENTS
1975-76

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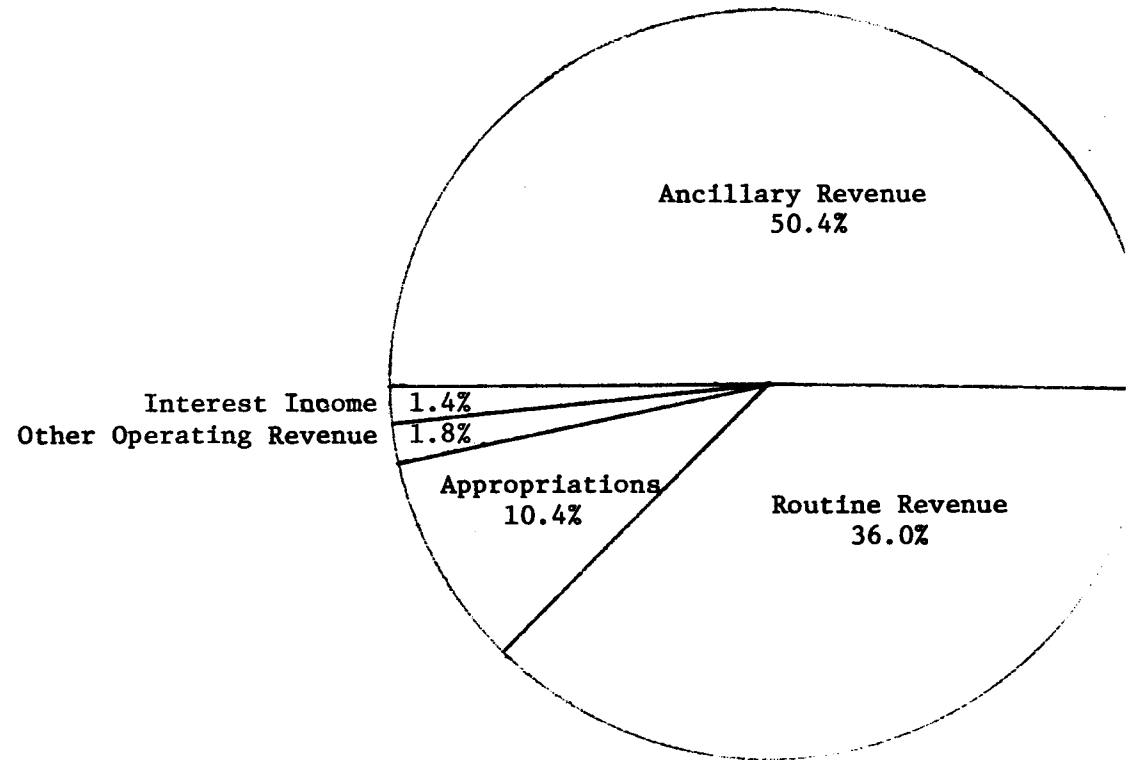
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UNIVERSITY OF MINNESOTA HOSPITALS
BREAKDOWN OF EXPENSE & REVENUE
FISCAL YEAR ENDING JUNE 30, 1976

EXPENSE



REVENUE



UNIVERSITY OF MINNESOTA HOSPITALS
DIRECT EXPENSE SUMMARY
FYE 6/30/76

	<u>Direct Expenses</u>
<u>NURSING SERVICES</u>	
Medical/Surgical	\$ 8,190,737
Pediatrics	3,281,581
Obstetrics	225,998
Newborn	91,838
Psychiatry	956,634
Rehabilitation	537,141
Nsg. Admin, Resource Division	905,596
Nsg. Staffing	651,475
SUBTOTAL NURSING SERVICES	\$14,841,000
 <u>ANCILLARY SERVICES</u>	
Laboratory	\$ 9,122,370
Nutrition	2,824,788
O.R., P.A.R., Anesthesiology	3,441,499
X-Ray, Rad. Therapy, Nuc. Med.	3,740,944
Pharmacy	4,074,233
Outpatient Clinics & E.R.	1,794,174
C.S.S.	1,244,148
Respiratory Therapy	874,877
Rehabilitation	1,366,546
Kidney Dialysis	830,593
Patient Transportation	190,364
Other Revenue Cost Centers	556,745
SUBTOTAL ANCILLARY SERVICES	\$30,061,281
 <u>GENERAL SERVICE COST CENTERS</u>	
Residents	\$ 3,579,131
Environmental Svcs, Maint. & Operations	5,417,053
Administrative Offices	3,435,631
Personnel & Payroll	744,871
Computer & Mgmt. Services	967,803
Business Office & Admissions	1,575,023
Mat'l. Svcs, Central Transp. & Receiving	960,734
Med. Records & Med. Word Processing	823,928
Social Services	487,868
Communication Center	381,047
Psych Hosp, Child Psych	555,173
Other General Services	1,990,304
SUBTOTAL GENERAL SERVICE COST CENTERS	\$20,918,566
TOTAL	\$65,820,847

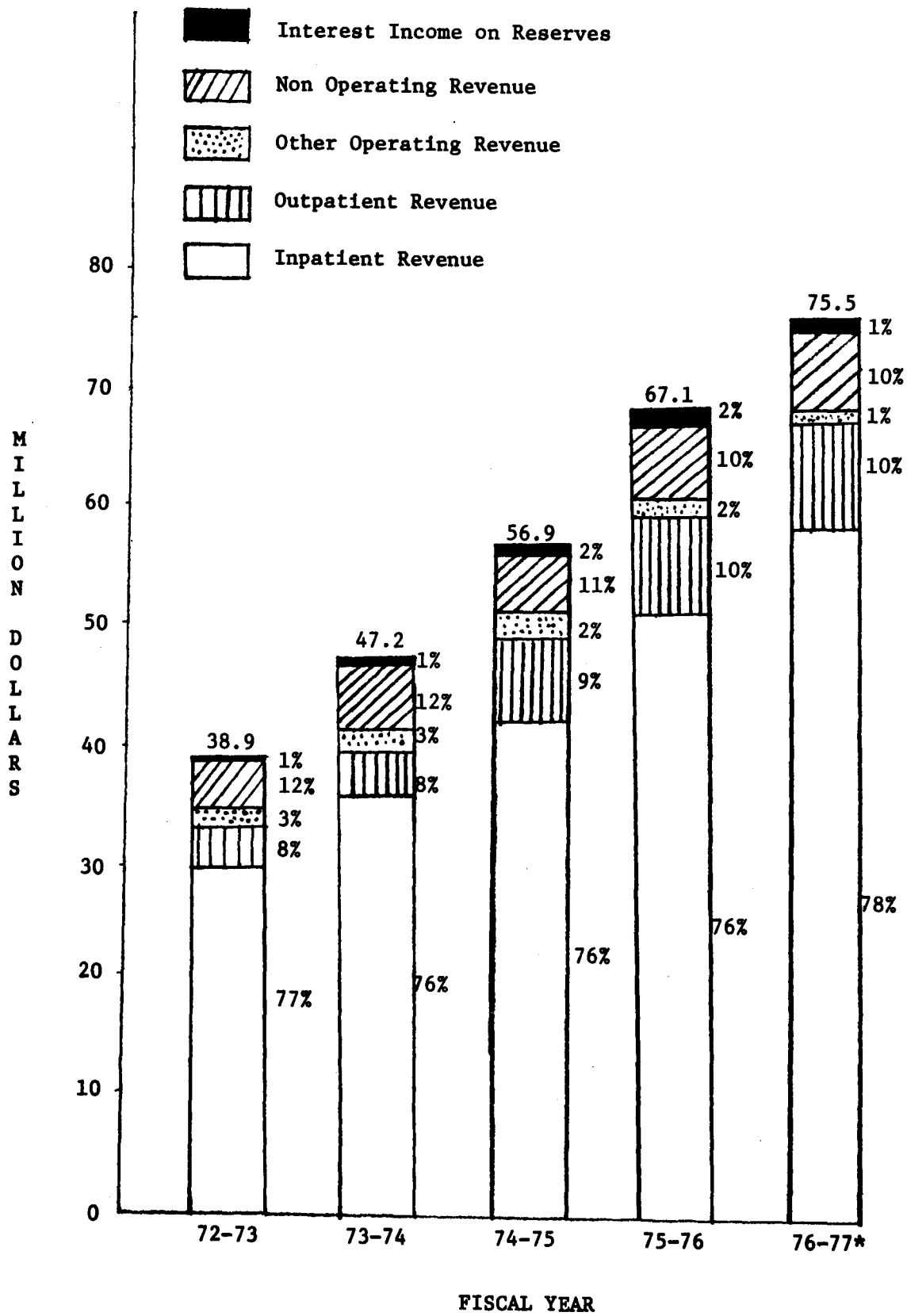
UNIVERSITY OF MINNESOTA HOSPITALS
FULL TIME EQUIVALENT ANALYSIS

	<u>6/30/75</u>	<u>6/30/76</u>	<u>6/30/77</u>
<u>NURSING SERVICES</u>			
Medical/Surgical	552.15	557.40	571.70
Pediatrics	220.80	229.50	233.90
Obstetrics	11.73	12.78	12.78
Newborn	7.47	6.47	6.47
Psychiatry	75.50	74.70	74.70
Rehabilitation	40.10	40.10	40.10
Nsg. Admin, Resource Division	44.95	34.50	34.50
Nsg. Staffing	44.43	52.35	52.35
SUBTOTAL NURSING SERVICES	<u>997.13</u>	<u>1,007.80</u>	<u>1,026.50</u>
<u>ANCILLARY SERVICES</u>			
Laboratory	304.48	329.32	365.07
Nutrition	228.42	208.44	167.95
O.R.,P.A.R.,Anesthesiology	134.75	139.45	140.45
X-Ray,Rad. Therapy,Nuc. Medicine	95.40	103.46	112.46
Pharmacy	46.20	50.20	60.80
Outpatient Clinics & E.R.	117.95	119.22	125.22
C.S.S.	45.90	43.30	43.30
Respiratory Therapy	44.50	52.00	52.00
Rehabilitation	79.68	85.18	89.68
Kidney Dialysis	30.90	37.00	37.00
Patient Transportation	2.14	3.95	7.95
Other Revenue Cost Centers	23.00	22.60	24.60
SUBTOTAL ANCILLARY SERVICES	<u>1,153.32</u>	<u>1,194.12</u>	<u>1,226.48</u>
<u>GENERAL SERVICE COST CENTERS</u>			
Residents	182.50	182.50	184.50
Environmental Svcs,Maint & Operations	321.07	321.50	305.80
Administrative Offices	23.90	27.40	29.00
Personnel & Payroll	27.70	30.00	34.00
Computer & Mgmt Services	40.20	43.00	52.60
Business Office & Admissions	108.04	109.53	114.03
Mat'l Svcs,Central Transp & Receiving	55.60	65.00	66.00
Med. Records & Med. Word Processing	69.15	69.15	71.15
Social Services	26.75	27.25	29.75
Communication Center	15.30	19.30	19.30
Psych Hosp, Child Psych	21.35	22.35	22.35
Other General Services	19.95	21.30	27.80
SUBTOTAL GENERAL SERVICE COST CENTERS	<u>911.51</u>	<u>938.28</u>	<u>956.28</u>
 TOTAL FTE'S	 3,061.96	 3,140.20	 3,209.26

UNIVERSITY OF MINNESOTA HOSPITALS
REVENUE SUMMARY
FYE 6/30/76

	<u>Revenue</u>
<u>NURSING SERVICES</u>	
Medical/Surgical	\$17,024,165
Pediatrics	5,690,973
Obstetrics	514,861
Newborn	143,061
Psychiatry	1,439,419
Rehabilitation	<u>1,019,935</u>
SUBTOTAL NURSING SERVICES	\$25,832,414
 <u>ANCILLARY SERVICES</u>	
Laboratory	\$12,330,508
Nutrition	-
O.R., P.A.R., Anesthesiology	5,453,261
X-Ray, Rad. Therapy, Nuc. Med.	5,395,545
Pharmacy	5,407,683
Outpatient Clinics & E.R.	1,331,066
C.S.S.	2,275,182
Respiratory Therapy	1,163,861
Rehabilitation	284,762
Kidney Dialysis	1,279,658
Patient Transportation	84,631
Other Revenue Cost Centers	<u>359,857</u>
SUBTOTAL ANCILLARY SERVICES	\$35,366,014
 TOTAL	 \$61,198,428

UNIVERSITY OF MINNESOTA HOSPITALS
 TOTAL REVENUE BREAKDOWN BY TYPE
 FISCAL YEARS 1972-73 THROUGH 1976-77



*Projected

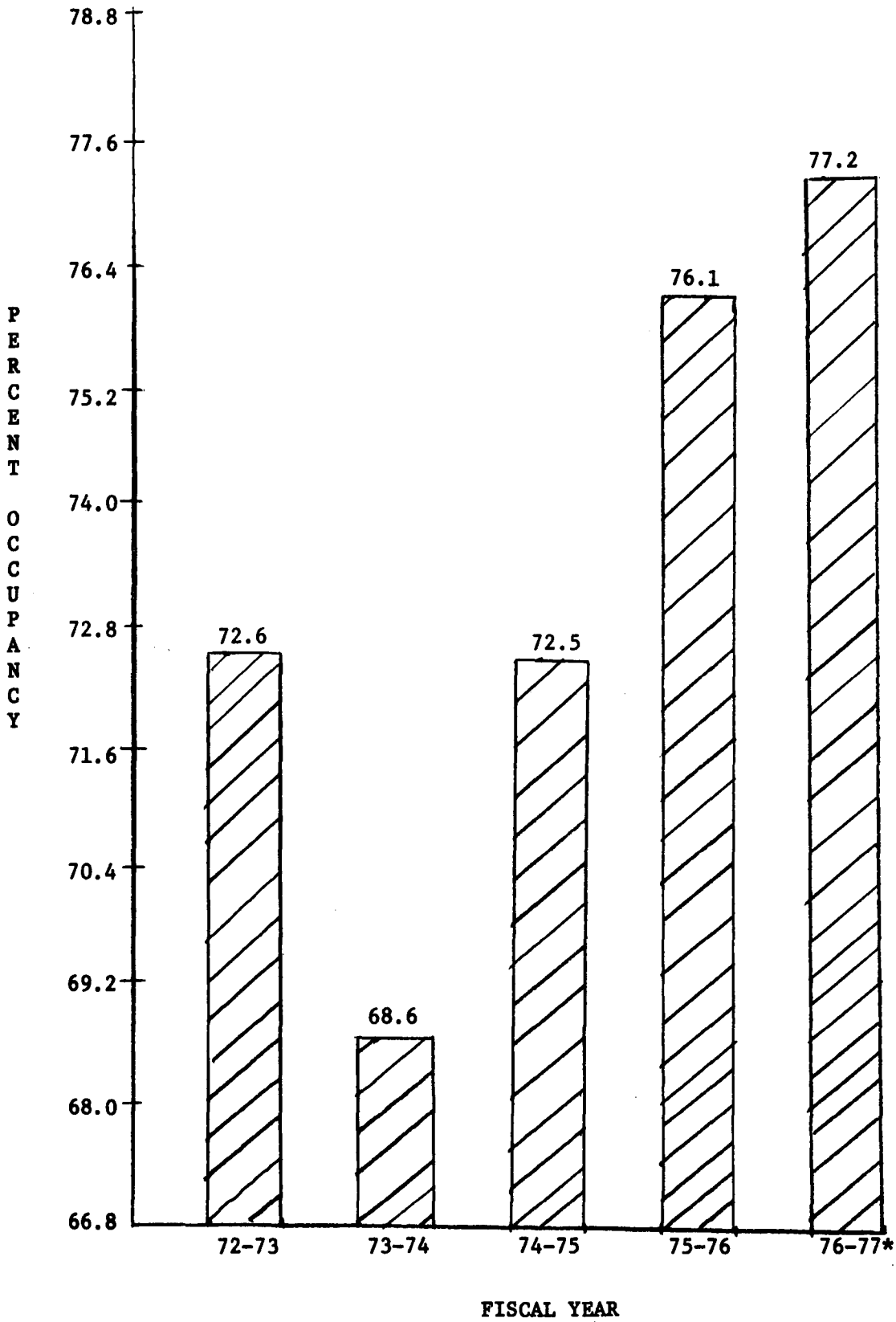
UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
SOURCES OF CASH DEPOSITS

	1973-74		1974-75		1975-76	
	Amount in 1,000's	Percent of Total	Amount in 1,000's	Percent of Total	Amount in 1,000's	Percent of Total
Medicare	\$ 8,053	16.8	\$12,496	22.5	\$15,539	24.1
Medical Assist. & Fed. Crippled Children	6,175	12.9	5,465	9.9	6,781	10.5
Blue Cross	6,515	13.6	7,694	13.9	9,674	15.0
Other Commerical Ins.	11,789	24.7	13,543	24.4	16,410	25.4
Patient Liability	4,978	10.4	5,185	9.3	4,901	7.6
Other Agency	1,037	2.2	1,453	2.6	1,732	2.7
County	1,763	3.7	2,091	3.8	1,647	2.6
Student Health Svc.	593	1.2	603	1.1	498	0.8
Collection Agencies	520	1.1	354	0.6	228	0.4
Other	1,761	3.7	1,689	3.1	1,584	2.4
Refunds	<u>(871)</u>	<u>(1.8)</u>	<u>(1,191)</u>	<u>(2.1)</u>	<u>(1,470)</u>	<u>(2.3)</u>
Subtotal	\$42,313	88.5	\$49,382	89.1	\$57,524	89.2
iv. Support	1,492	3.1	1,728	3.1	2,054	3.1
Appropriations	<u>4,030</u>	<u>8.4</u>	<u>4,348</u>	<u>7.8</u>	<u>4,980</u>	<u>7.7</u>
Total	<u>\$47,835</u>	100.0%	<u>\$55,458</u>	100.0%	<u>\$64,558</u>	100.0%

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
 INPATIENT CENSUS DATA BY MAJOR CATEGORY
 FOR FISCAL YEAR 1975-76

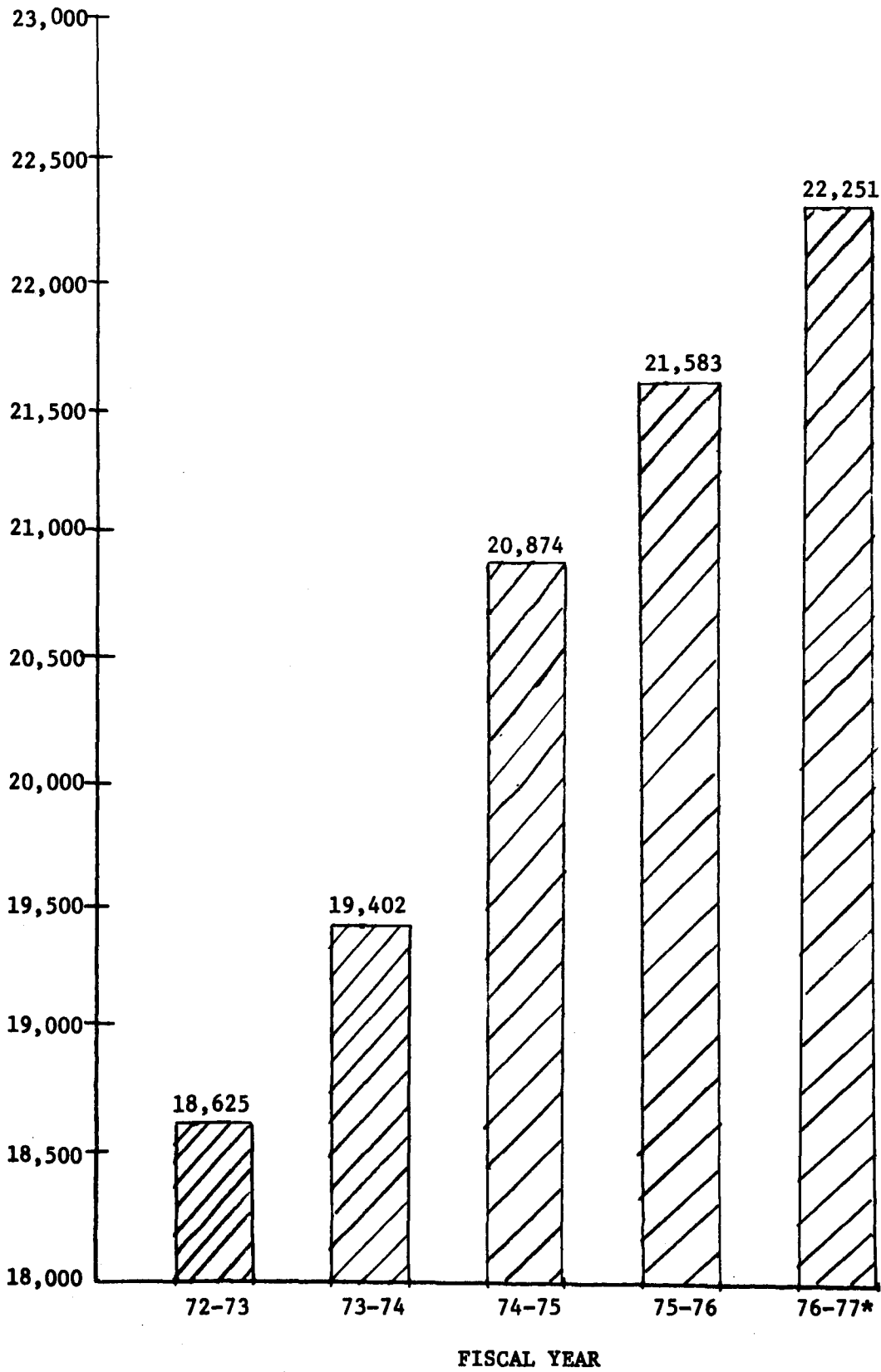
<u>Category</u>	<u>Available Beds</u>	<u>Patient Days</u>	<u>Average Daily Census</u>	<u>Number of Admissions</u>	<u>Average Length of Stay</u>	<u>Percent Occupancy</u>
Medical/Surgical	502	148,634	406	15,922	9.35	80.1
Pediatrics	129	33,622	92	3,436	9.96	76.5
Newborn	20	3,399	9	655	5.43	45.2
Obstetrics	15	3,819	10	773	5.15	69.5
Psychiatry	67	14,363	39	395	35.12	58.5
Rehabilitation	<u>40</u>	<u>10,430</u>	<u>29</u>	<u>402</u>	<u>21.59</u>	<u>71.2</u>
Total	773	214,267	585	21,583	9.9	76.1

UNIVERSITY OF MINNESOTA HOSPITALS
PERCENT OCCUPANCY
FISCAL YEARS 1972-73 THROUGH 1976-77



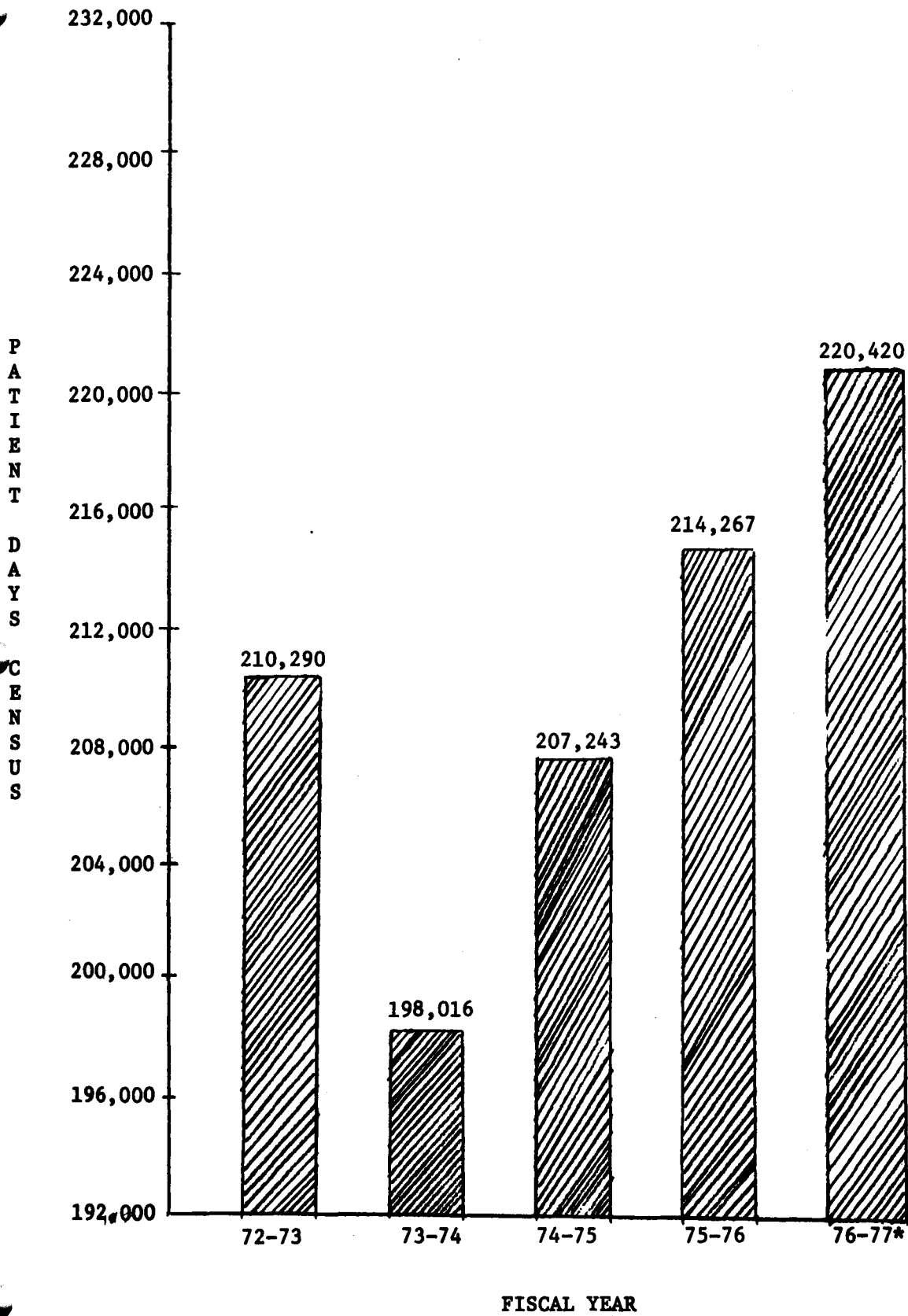
UNIVERSITY OF MINNESOTA HOSPITALS
NUMBER OF ADMISSIONS
FISCAL YEARS 1972-73 THROUGH 1976-77

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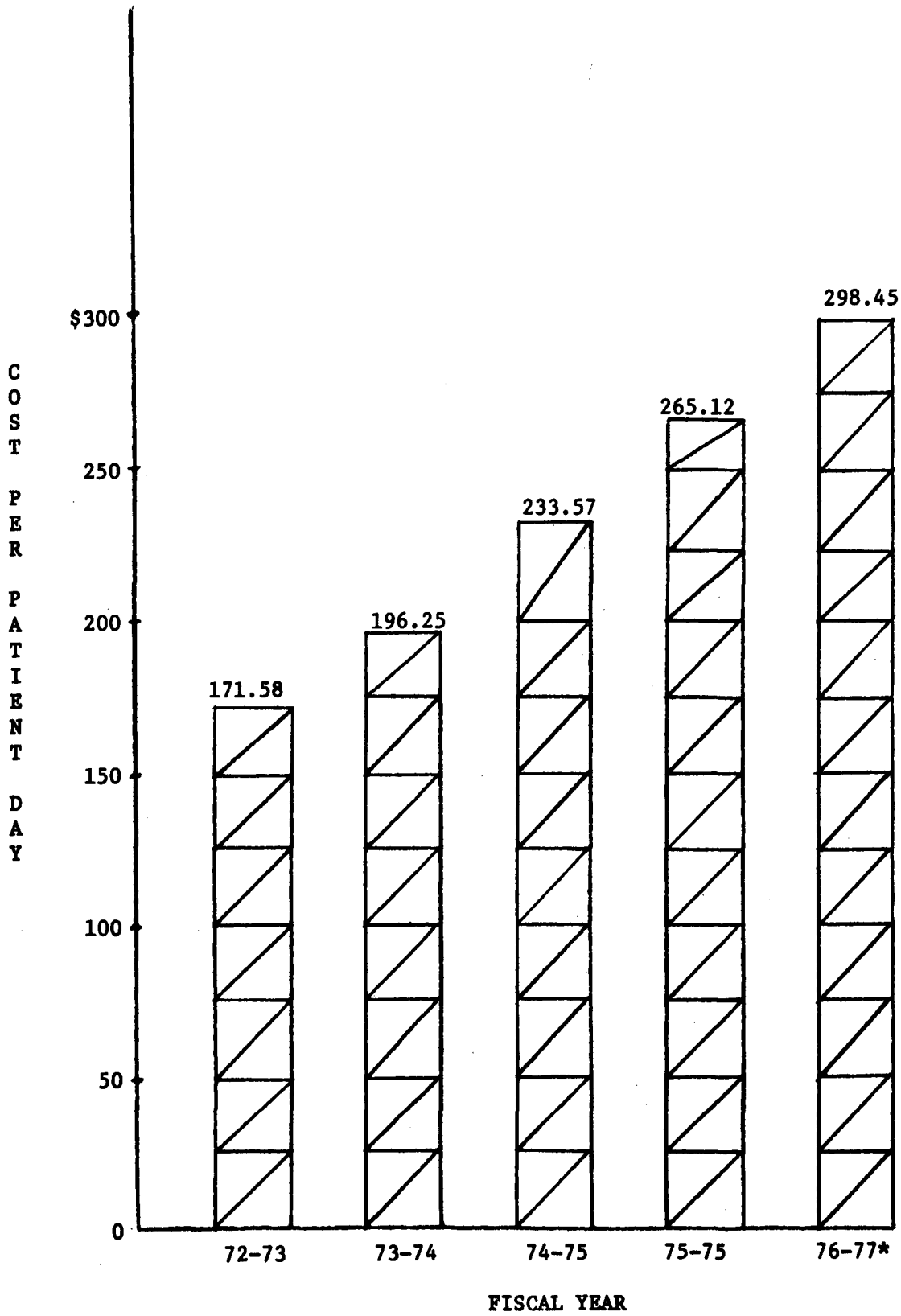


*Projected

UNIVERSITY OF MINNESOTA HOSPITALS
PATIENT DAYS CENSUS
FISCAL YEARS 1972-73 THROUGH 1976-77

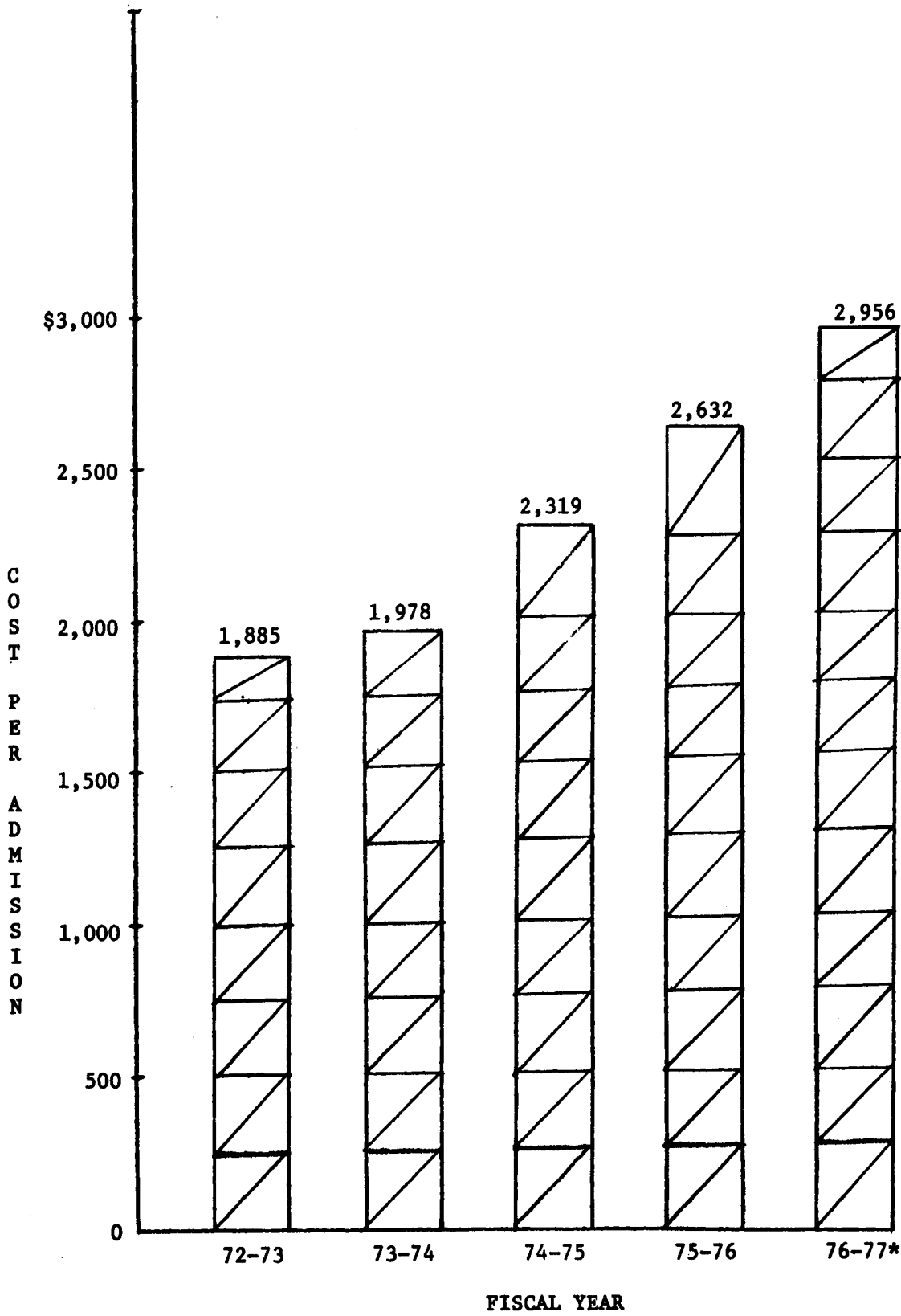


UNIVERSITY OF MINNESOTA HOSPITALS
INPATIENT COST/PATIENT DAY
FISCAL YEARS 1972-73 THROUGH 1976-77



*Projected

UNIVERSITY OF MINNESOTA HOSPITALS
INPATIENT COST/ADMISSIONS
FISCAL YEARS 1972-73 THROUGH 1976-77



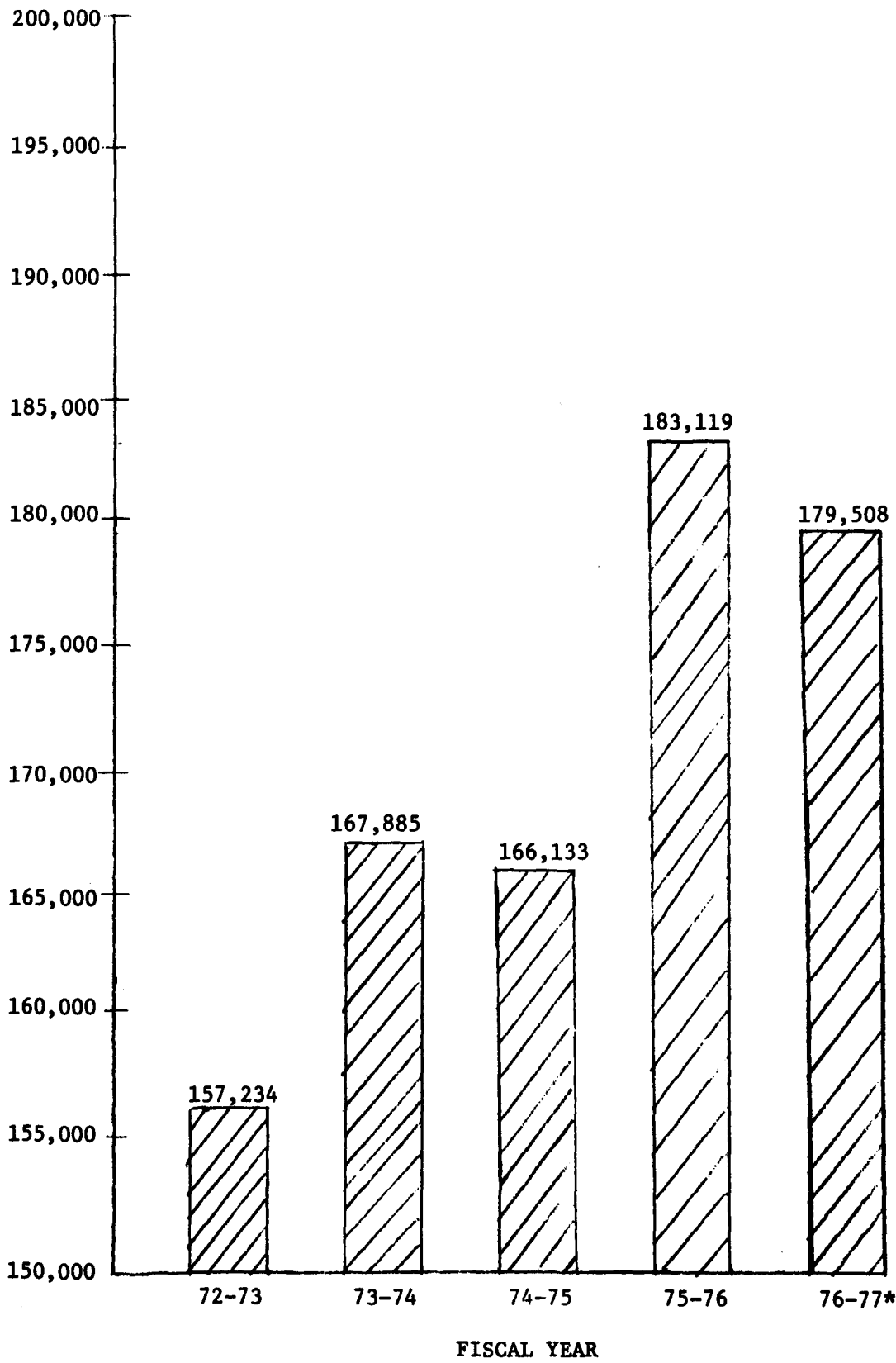
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UNIVERSITY OF MINNESOTA HOSPITALS
TOTAL OUTPATIENT CLINIC VISITS
FISCAL YEARS 1972-73 THROUGH 1976-77

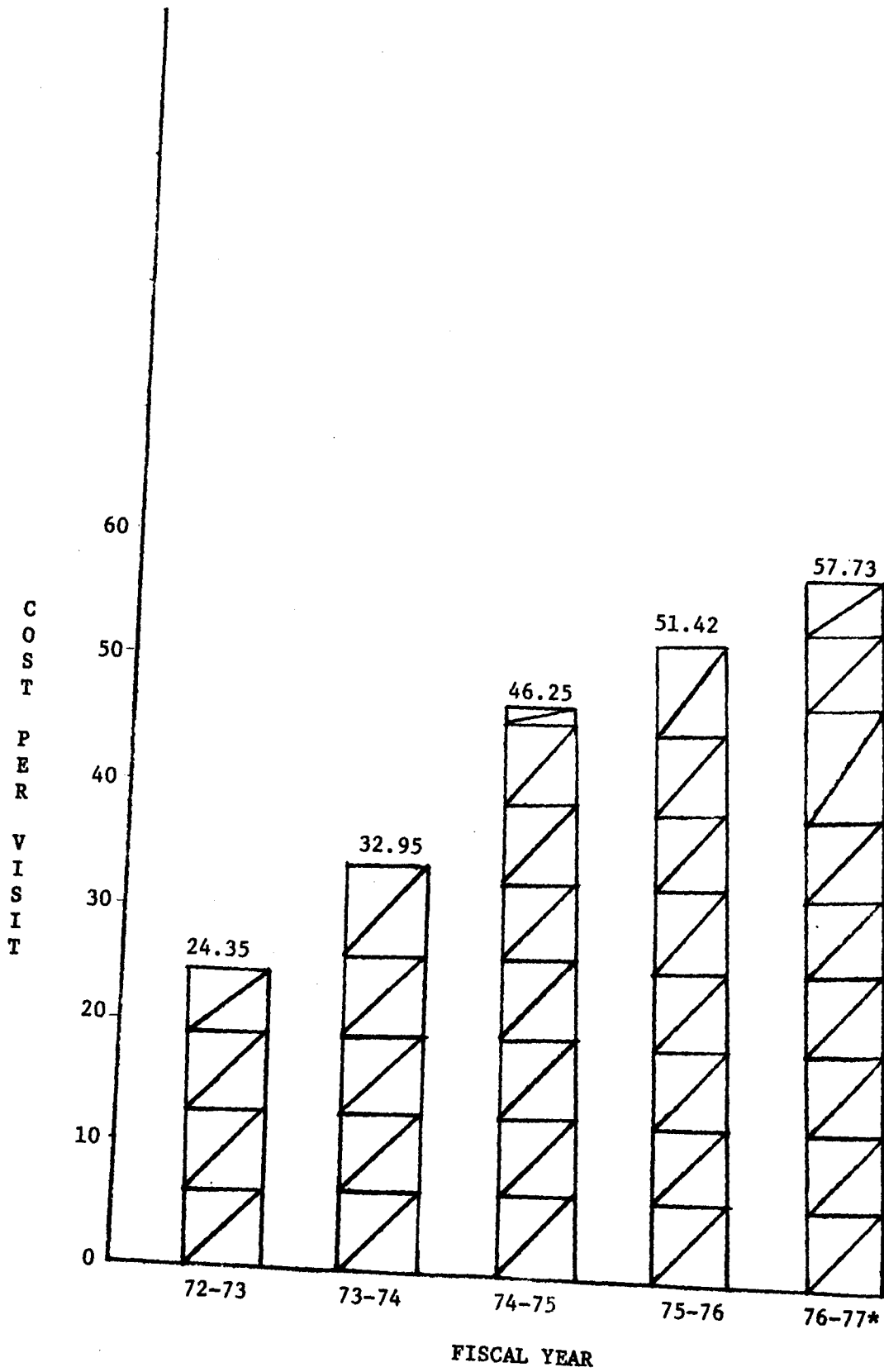
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UNIVERSITY OF MINNESOTA HOSPITALS
OUTPATIENT COST/VISIT
FISCAL YEARS 1972-73 THROUGH 1976-77



UNIVERSITY OF MINNESOTA HOSPITALS
PRELIMINARY STATEMENT OF OPERATIONS
FOR PERIOD JULY 1, 1975 TO JUNE 30, 1976

1974-75 Actual		Budgeted	Actual	Variance Over/(Under) Budget	Variance %
	<u>Patient Care Charges</u>				
\$21,344,499	Routine	\$24,475,615	\$25,832,414	\$1,356,799	5.5
29,445,179	Ancillary	35,615,568	35,366,014	(249,554)	(0.7)
728,194	Pro Fees	745,201	749,394	4,193	0.6
<u>\$51,517,872</u>	Gross Charges	<u>\$60,836,384</u>	<u>\$61,947,822</u>	<u>\$1,111,438</u>	<u>1.8</u>
	<u>Deductions from Charges</u>				
	Pro Fees & Special				
\$ 604,502	Duty Nursing	\$ 645,865	\$ 642,243	\$ (3,622)	(0.6)
252,560	Third Party Contract Adj	45,311	147,105	101,794	224.7
	Billing Adjustments &				
497,685	Employee Benefits	588,923	649,323	60,400	10.3
717,446	Charitable Care	796,047	694,390	(101,657)	(12.8)
71,446	Other Contract Adj.	298,351	577,608	279,257	93.6
1,035,425	Allow for Uncoll Accts	1,730,130	1,338,638	(391,492)	(22.6)
	Donations from Restricted				
	Funds		(11,839)	(11,839)	
<u>(46,921)</u>	Total Deductions	<u>\$ 4,104,627</u>	<u>\$ 4,037,468</u>	<u>\$ (67,159)</u>	<u>(1.6)</u>
<u>\$ 3,132,143</u>					
	<u>Other Operating Revenue</u>				
\$ 690,403	Food Services	\$ 618,107	\$ 615,251	\$ (2,856)	(0.5)
179,267	Powell Hall Motel	262,470	276,924	14,454	5.5
170,962	Departmental Non-Patient	182,096	130,886	(51,210)	(28.1)
139,997	Reference Lab Income	144,996	127,878	(17,118)	(11.8)
28,739	Donations to Operations	-0-	182	182	
	Donations to Operations				
	from Restricted Funds		47,894	47,894	
<u>129,732</u>	Total Other Revenue	<u>\$ 1,207,669</u>	<u>\$ 1,199,015</u>	<u>\$ (8,654)</u>	<u>(0.7)</u>
<u>\$ 1,339,100</u>					
\$49,724,829	Total Revenue from Operations	\$57,939,426	\$59,109,369	\$1,169,943	2.0
	<u>Expenditures</u>				
\$28,516,949	Salaries	\$32,608,128	\$33,010,455	\$ 402,327	1.2
3,922,887	Fringe Benefits	5,031,972	4,940,368	(91,604)	(1.8)
972,490	Academic Contracts	1,067,164	1,054,357	(12,807)	(1.2)
1,293,100	Resident Contracts	2,193,242	2,187,963	(5,279)	(0.2)
<u>2,107,102</u>	Physician Compensation	<u>2,212,302</u>	<u>2,436,746</u>	<u>224,444</u>	<u>10.1</u>
	Total Salaries, Wages,				
36,812,528	F.B. & Fees	43,112,808	43,629,889	517,081	1.2
	Laundry & Linen	1,262,022	1,181,347	(80,675)	(6.4)
985,030	Raw Food	1,041,614	974,513	(67,101)	(6.4)
823,574	Drugs	3,528,398	3,792,177	263,779	7.5
2,822,376	Blood, Blood Derivatives,				
	and Medical Supplies	5,525,893	5,718,203	192,310	3.5
4,104,866	Utilities	675,244	575,612	(99,632)	(14.8)
499,501	Interest Expense	-0-	-0-	-0-	-0-
5,874	Insurance	338,176	349,379	11,203	3.3
302,555	Net Loss on Disposal of				
	Assets		10,083	10,083	-
8,017	Campus Adm. Exp.	2,625,000	2,625,000	-0-	-
2,500,000	Depreciation	1,499,996	1,547,449	47,453	3.2
1,437,753	General Supplies & Exp.	5,918,331	5,417,195	(501,136)	(8.5)
<u>5,534,318</u>	Total Expenditures	<u>\$65,527,482</u>	<u>\$65,820,847</u>	<u>\$ 293,365</u>	<u>0.4</u>
<u>\$55,836,392</u>					
\$ (6,111,563)	Net Revenue from Operations	\$ (7,588,056)	\$ (6,711,478)	\$ 876,578	
	<u>Non-Operating Revenue</u>				
\$ 6,262,075	Appropriations & Support	\$ 7,015,998	\$ 7,004,635	\$ (11,363)	(0.2)
196,907	Accrued Interest on Approp	169,501	1,489	(168,012)	(99.1)
713,714	Interest Income on Reserves	746,278	950,038	203,760	27.3
<u>\$ 7,172,696</u>	Total Non-Operating Rev.	<u>\$ 7,931,777</u>	<u>\$ 7,956,162</u>	<u>\$ 24,385</u>	<u>0.3</u>
\$ 1,061,133	Excess of Revenue over Expenses	\$ 343,721	\$ 1,244,684	\$ 900,963 (1)	

(1) Variance equals 1.48% of Total Budgeted Revenue

UNIVERSITY OF MINNESOTA HOSPITALS
 BREAKDOWN OF BILLING ADJUSTMENTS,
 CHARITABLE CARE, & OTHER CONTRACT ADJUSTMENTS
 FISCAL YEAR 1975-76

Billing Adjustments & Employee Benefits:

Allowance - Interns & Family	\$ 5,587
- Reference Laboratory Charges	490,340
- Employee Health Service	48,755
- Cancer Detection Center	58,160
- Late Charges	18,176
- Minn. Legislature	1,126
- Unidentifiable Charges	<u>27,179</u>

Total Billing Adjustments \$649,323

Charitable Care:

Allowance - OB Special	\$202,690
- Community Clinics-Free Care	109,223
- Sixty Fund	319,672
- Rehab	899
- Sixty Four Fund	12,799
- Other	37,268
- Donations from Restricted Funds	<u>11,839</u>

Total Charitable Care \$694,390

Other Contract Adjustments:

Allowance - Cadaver Acquisition	\$ 76,279
- Indian Health	50,019
- Medicare/MA Overbilling	12,063
- Kidney Donors	<u>439,247</u>

Total Other Contract Adjustments \$577,608

UNIVERSITY OF MINNESOTA HOSPITALS
PRELIMINARY OPERATING CASH FLOW
JUNE 30, 1976

Source of Funds		
Beginning Cash Balance		\$ 553
Loss from Operations	(6,711,478)	
Non-Operating Revenue	<u>7,956,162</u>	
Excess of Revenue over Expense		1,244,684
Items not Requiring the Outlay of Cash:		
Depreciation		1,547,449
Campus Support for G&A		2,625,000
Campus Support for K/E Utilities		45,222
Incr. Accrued Expense/Decr. Accrued Income/Decr. Encumbrance		<u>2,434,762</u>
Total Funds Provided from Operations		\$7,897,670
Funds Applied		
Transfers to Plant		
Major Building Projects		\$ 246,432
Capital Expenditures		2,005,729
Increase in Accounts Receivable		2,134,969
Increase in Inventories		<u>221,679</u>
Total Funds Applied to Operations		\$4,608,809
Operating Funds Available		\$3,288,861
Less:		
Funded Depreciation Required by MHA Transferred from Operations to Reserves		\$1,741,864
Transfer 1974-75 Appropriations Balance to Reserves		<u>193,299</u>
Subtotal Net Cash Available		1,353,698
Less Transferred to Reserve		<u>1,354,998 (1)</u>
Total Net Cash Available		\$ (1,300)

(1) Available for offsetting future cash need of \$2,054,079 to cover increase in accrued expenses. Net Deficit \$700,381.

UNIVERSITY OF MINNESOTA HOSPITALS
PRELIMINARY STATEMENT OF CHANGES IN FUND BALANCES
FISCAL YEAR 12 MONTHS ENDING JUNE 30, 1976

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Plant Fund</u>	<u>Total Unrestricted Funds</u>
Unrestricted Funds				
Beginning Balance	\$11,527,808	\$12,364,596	\$20,219,161	\$44,111,565
Adj for Plant Encumbrance	(875,965)		875,965	
Adj for Operating Room Inventory	273,759			273,759
Adjusted Beginning Balance	<u>\$10,925,602</u>	<u>\$12,364,596</u>	<u>\$21,095,126</u>	<u>\$44,385,324</u>
Net Income:				
Excess of Revenue over Expenses	\$ 1,853,909			
Accrued Reserve Interest Income		950,038		
Accrued Appropriation Interest Inc		1,485		
Misc. Expenses		(3,210)		
Depreciation Expense			(1,547,455)	
Loss on Sale of Assets	40,713	229	(51,025)	
Total Unrestricted Income less Expenses				1,244,684
Campus Support: G&A	2,625,000			2,625,000
K/E Utilities	45,222			45,222
Transfers to Plant:				
Major Building Projects	(246,432)	(713,558)	959,990	
Capital Expenditures	(2,001,418)	(4,309)	2,005,727	
Capital Encumbrance Change	493,801	4,769	(498,570)	
Equip and Remodeling Adj	24,247		93,280	117,527
Increase in Restricted Fund Commitment to Plant			125,508	125,508
Transfer to Fund Depreciation at Price Level	(1,741,864)	1,741,864		
Transfer to Shared Bldg Projects		(73,200)		(73,200)
Third Party Insurance Settlement from 73-74	(181,932)	181,932		
Transfer to Reserves for Year End Closing	(403,471)	403,471		
	<u>\$11,433,377</u>	<u>\$14,854,107</u>	<u>\$22,182,581</u>	<u>\$48,470,065</u>
Restricted Funds				
Beginning Balance	\$ 560,098	\$ 7,493,109		\$ 8,053,207
Net Income				
Gifts	61,068			
Accrued Interest Income		345,189		
Misc. Expense	(6,278)	(41,616)		
Charity Expense	(1,112)	(10,727)		
Total Restricted Income less Expenses				346,524
Increase in Commitment to Plant Funds	(75,937)	(49,571)		(125,508)
Contribution to Community University Health Care Center Building		(22,660)		(22,660)
	<u>\$ 537,839</u>	<u>\$ 7,713,724</u>		<u>\$ 8,251,563</u>

UNIVERSITY OF MINNESOTA HOSPITALS
PRELIMINARY COMPARATIVE STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1976

	<u>1974-75</u>	<u>1975-76</u>		<u>1974-75</u>	<u>1975-76</u>
<u>Current Assets</u>				<u>Current Liabilities</u>	
Cash Working Funds	\$ 31,845	\$ 31,845		Trade Accounts Payable	\$ 537,498
Cash and Investments	2,793,463	4,603,100		Accrued Salary & Wages Payable	724,887
Patient Accounts Receivable				Accrued Vacation and Timeback Payable	1,465,823
Less Allowances for Possible Losses in Collection	11,711,679	13,845,349		Contracts Payable	73,675
Amounts Due from Third Party Payor				Accrued Professional Fees	164,916
Cost Reimbursement Programs	129,746	184,723			
Other Receivables	336,905	137,984			
Inventories of Drugs and Supplies	<u>1,325,565</u>	<u>1,821,000</u>			
Total Current Assets	\$16,329,203	\$20,624,001		Total Current Liabilities	\$ 2,966,799
					\$ 4,993,809
<u>Long Term Investments</u>	\$10,530,000	\$10,657,298			
<u>Plant and Equipment</u>				<u>Fund Balances</u>	
Cash and Investments for Construction	\$ 1,472,017	\$ 1,590,166		Unrestricted Funds:	
Construction in Progress	2,135,138	1,284,495		Operating Funds	\$11,527,808
Plant and Equipment	33,318,160	37,411,266		Reserve Funds	12,364,596
Less Allowances for Depreciation	<u>(16,706,154)</u>	<u>(18,103,346)</u>		Plant Funds	20,219,161
Total Plant and Equipment	\$20,219,161	\$22,182,581			<u>\$44,111,565</u>
					<u>\$48,470,065</u>
				Restricted Funds:	
Restricted Endowment & Gift Investments	\$ 8,053,207	\$ 8,251,563		Gift Funds	\$ 560,098
				Endowment Funds	7,493,109
					<u>\$ 8,053,207</u>
					<u>\$ 8,251,563</u>
Total Assets	\$55,131,571	\$61,715,443		Total Liabilities & Fund Balances	\$55,131,571
					\$61,715,437

(a) Endowment Fund market value as of 6/30/76 \$7,425,123.90

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
 RECONCILIATION OF FORM A TO FINANCIAL REPORTS
 1974-75 & 1975-76 PROJECTED

	<u>Prior Year</u>	<u>Current Year</u>
Patient Charges	\$51,517,872	\$62,100,055
Financial Requirements	<u>51,170,173</u>	<u>61,507,663</u>
	\$ 347,699	\$ 592,392
Accrued Int. Reserves	<u>713,714</u>	<u>746,281</u>
	\$ 1,061,413	\$ 1,338,673
Diff in other Operating Revenue	<u>(280)</u>	<u>-</u>
	\$ 1,061,133	\$ 1,338,673

FINANCIAL REQUIREMENTS AND PATIENT CHARGES - SUMMARY #1

Institution University of Minnesota Hospitals Budget Year End June 30, 1977 MRR Form A

	A M.R.R. Reference	B Prior Year	C Current Year	D Incr (Decr) %	E F G H BUDGET YEAR				
					Before Rate Increase		After Rate Increase		
					Amount	% Incr. (Decr.)	Amount	% (Decr.)	
1	Salaries	D-83	28,167,270	32,515,333	15.4	35,990,152	10.7	35,990,152	-
2	Employee Benefits		3,922,887	4,942,330	30.0	5,826,661	17.9	5,826,661	-
3	Fees (Medical)		2,107,122	2,491,764	18.3	2,840,000	14.0	2,840,000	-
4	Raw Food		823,574	1,008,957	22.5	1,354,971	34.3	1,354,971	-
5	Drugs		2,822,376	3,692,355	32.8	3,981,227	7.8	3,981,227	-
6	Medical Supplies		2,776,271	4,132,432	48.8	4,870,571	17.9	4,870,571	-
7	Other Supplies Campus G & A Expense		2,500,000	2,225,000	5.0	2,756,250	5.0	2,756,250	-
8	Utilities		499,501	675,231	35.2	788,716	16.8	788,716	-
9	Repairs and Maintenance		624,648	664,180	6.3	719,237	8.3	719,237	-
10	Equipment Rental		373,527	448,958	20.2	443,160	(1.3)	443,160	-
11	Insurance		302,555	338,180	11.8	482,000	42.5	482,000	-
12	Interest Expense		5,874	-	(100.0)	-	-	-	-
13	Building Depreciation	K-1	841,534	820,223	(2.5)	892,591	8.8	892,591	-
14	Equipment Depreciation	K-2	596,219	679,777	14.0	740,409	8.9	740,409	-
15	Other Expense		4,544,160	4,338,013	(4.5)	5,583,843	28.7	5,583,843	-
16	Academic Contract		972,490	1,067,161	9.7	1,129,506	5.8	1,129,506	-
17	Resident Contract		1,293,100	2,204,646	70.5	2,375,806	7.8	2,375,806	-
18	Accrued Vacation / Timeback		309,679	167,428	(52.1)	158,983	(5.0)	158,983	-
19	Laundry & Linen		985,030	1,218,262	23.7	1,341,021	10.1	1,341,021	-
20	Blood & Blood Derivatives		1,328,595	1,407,336	12.7	1,936,216	29.3	1,936,216	-
21	SubTotal		55,822,392	65,527,566	17.4	74,211,300	13.3	74,211,300	-
22	Price Level Depreciation Adjust - Bldg.					722,032	2.8	722,032	-
23	Price Level Depreciation Adjust - Equip.					157,517	2.9	157,517	-
24	Working Capital Requirement	I-15				551,854	(12.9)	1,520,755	175.2
25	(Gain) Loss From Previous Year								
26	Allowances And Uncollectible Accounts	O-19	3,132,143	4,339,296	38.5	4,719,242	8.8	5,003,840	
27	Less Other Operating Revenue - Net	J-16	1,339,380	1,173,699	(12.4)	1,097,798	(6.5)	1,097,798	
28	Less NonOperating Revenue - Net	J-24	6,458,982	7,185,500		1,431,403		2,400,304	
29	Less Non-Covered Requirements	M-43							
30									
31									
32									
33									
34									
35									
36									
37									
38									
39									
40	Total Financial Requirements		51,170,173	61,507,663		71,832,704		78,117,342	.4
41									
42	Less Total Patient Charges		51,517,872	62,100,055	20.5	64,794,143	4.3	70,790,602	9.3
43									
44	Gain (Loss)					(13,038,601)		(7326,739)	(43.1)

COMPARISON OF PATIENT CHARGES BY REVENUE CENTER

Institution University of Minnesota Hospitals

Budget Year End 1976-77

MRR Form B

		A	B	C	D	E	F	G	H
		PATIENT CHARGES				PATIENT CHARGES PER UNIT OF SERVICE			
		Prior Year	Current Year	Budget Year Before Rate Increase	Budget Year After Rate Increase	Prior Year	Current Year	Budget Year Before Rate Increase	Budget Year After Rate Increase
	HOSPITAL								
	DAILY HOSPITAL SERVICE								
1	Medical-Surgical	11,810,229	13,690,161	13,510,658	14,951,656	94.73	106.88	107.22	116.08
2	Pediatrics	2,973,423	3,743,049	3,718,680	4,165,200	100.72	135.37	133.00	150.00
3	Obstetrics	300,519	345,825	357,480	389,256	90.22	90.60	90.00	98.00
4	All other	1,921,138	2,588,065	2,321,734	3,931,189	71.03	90.40	94.64	112.69
5	Sub Total (Lines 1 thru 4)	17,005,309	20,667,100	21,219,552	23,437,301				
6	Intensive Care	396,432	4,858,152	4,627,981	5,430,760	214.54	243.19	224.59	263.55
7	Coronary Care	212,133	240,451	232,050	236,600	237.02	235.53	255.00	260.00
8									
9	Sub Total (Lines 6 thru 8)	4,173,565	5,098,603	4,960,081	5,667,360				
10	Nursery	165,625	168,452	173,850	191,235	50.02	49.88	50.00	55.00
11	Sub Total (Lines 5 + 9 + 10)	21,344,499	25,934,155	26,352,433	29,295,876				
	ANCILLARY SERVICE								
12	Delivery Room	62,813	65,391	73,056	73,056	95.03	95.04	101.46	101.46
13	Emergency Room	242,149	322,506	341,568	374,864	12.53	15.79	17.34	19.03
14	Operating Room	3,053,798	4,016,099	4,008,852	4,223,220	98.58	123.08	123.08	120.47
	Recovery Room	256,927	313,169	312,500	374,000	34.76	45.95	46.00	55.00
15	Medical - Surgical Supplies	2,159,997	2,226,579	2,427,395	2,621,587	10.42	10.36	11.01	11.89
17	Intravenous Solutions	-	-	-	-				
18	Anesthesia	651,284	1,109,664	1,105,050	1,295,850	26.38	46.77	46.33	54.33
19	Inhalation Therapy	1,052,476	1,161,653	1,131,536	1,347,976	17.88	19.36	18.06	21.51
20	Radiology	4,261,393	5,362,833	5,558,719	5,867,871	11.73	14.00	10.61	11.21
21	Laboratory	10,078,526	11,877,278	13,479,758	13,859,590	7.73	7.70	7.57	9.34
22	Pharmacy	4,360,101	5,517,946	5,619,413	6,242,192	8.52	9.47	7.51	8.35
23	Physical Therapy Rehabilitation	212,237	285,453	322,136	409,240	4.84	6.23	6.27	7.74
24	Occupational Therapy	-	-	-	-				
25	Electrocardiology	312,328	519,955	347,016	369,975	15.16	15.07	15.11	16.11
26	Blood and Blood Derivatives	-	-	-	-				
27	Electroencephalography	131,269	147,446	158,225	219,275	45.32	45.30	45.40	62.92
28	Other	1,679,320	1,667,856	1,744,588	2,377,561				
29	Professional Fees	728,194	769,722	901,107	691,329				
30	Outpatient Clinics	910,541	1,002,330	1,022,421	1,147,121	7.04	7.78	7.48	8.40
31	Sub Total (Lines 12 thru 30)	30,173,373	36,165,900	33,541,710	41,494,707				
32	Total - Hospital (Line 11 + 31)	51,517,872	62,100,055	64,794,143	70,790,603				
	NURSING HOME								
33	Skilled Care								
34	Intermediate Care I								
	Intermediate Care II								
36	Boarding Care								
37	Total Nursing Home (Lines 33 thru 36)								
38	TOTAL INSTITUTION (Line 32 + 37)	51,517,872	62,100,055	64,794,143	70,790,603				
39	Hospital Inpatient Charges	45,778,074	55,063,941	57,387,591	62,752,471				
40	Hospital Outpatient Charges *	5,739,798	7,036,114	7,406,552	8,038,132				

EXPENSE ANALYSIS

MRR Form C

Institution University of Minnesota Hospitals

Budget Year End 1976-77

Page 1 of 2

	A	B	C	D			G			
				Prior Year	Current Year	Budget Year After Rate Increase		EOST PER UNIT OF SERVICE		
								Prior Year	Current Year	Budget Year After Rate Increase
HOSPITAL										
DAILY HOSPITAL SERVICE EXPENSE										
1	Medical - Surgical	4,973,102	6,014,185	6,659,160	39.89	46.96	51.70	18.09		
2	Pediatrics	1,956,664	2,142,171	2,442,015	46.28	78.20	87.94	12.46		
3	Obstetrics	186,887	211,046	211,252	56.11	57.91	53.19	(6.91)		
4	All other	1,326,693	1,542,154	1,869,270	49.05	49.53	53.58	8.18		
5	Sub Total (Lines 1 thru 4)	8,443,346	9,939,856	11,191,697						
6	Intensive Care	2,255,203	2,819,119	3,153,921	122.13	141.12	153.06	8.46		
7	Coronary Care	107,960	137,687	138,490	120.63	146.32	152.19	4.01		
8										
9	Sub Total (Lines 6 thru 8)	2,363,163	2,956,806	3,292,411						
10	Nursery	59,395	91,244	100,971	27.00	27.02	29.04	7.48		
11	Sub Total (Lines 5 + 9 + 10)	10,875,907	12,997,906	14,575,079						
ANCILLARY SERVICE EXPENSE										
12	Delivery Room	186,686	248,997	212,683	282.43	361.91	295.39	18.38		
13	Emergency Room	318,556	247,736	369,340	16.49	17.12	18.75	9.52		
14	Operating Room	2,293,558	2,594,595	2,604,771	74.04	79.52	50.47	1.19		
15	Recovery Room	176,419	206,292	235,557	23.88	30.27	34.64	14.44		
16	Medical - Surgical Supplies	1,600,395	1,144,193	1,535,899	7.72	5.82	6.97	31.01		
17	Intravenous Solutions	-	-	-	-	-	-	-		
18	Anesthesia	343,970	589,791	672,003	13.93	24.86	28.17	13.31		
19	Inhalation Therapy	770,924	665,589	1,092,836	13.09	14.43	17.44	20.86		
20	Radiology	3,154,865	3,807,103	4,194,352	8.64	9.94	8.01	19.42		
21	Laboratory	7,055,790	8,698,889	10,265,621	5.41	6.37	6.92	8.63		
22	Pharmacy	3,201,611	3,886,772	4,869,716	6.26	6.67	6.52	(2.25)		
23	Physical Therapy	1,118,905	1,343,981	1,609,030	25.54	21.83	34.86	11.53		
24	Occupational Therapy	-	-	-	-	-	-	-		
25	Electrocardiology	134,921	143,495	163,560	6.55	6.76	7.12	5.33		
26	Blood and Blood Derivatives	-	-	-	-	-	-	-		
27	Electroencephalography	83,674	97,276	109,536	28.88	30.50	31.43	3.05		
28	Other	742,335	876,209	1,197,000						
29										
30	Outpatient Clinics	1,274,241	1,234,769	1,628,841	9.85	10.89	11.92	9.46		
31	Sub Total (Lines 12 thru 30)	22,416,630	26,239,889	30,760,745						
32	Research Costs									
33	Educational Costs Residents	1,293,100	2,204,646	2,137,806	6.34	10.42	10.95	5.08		
GENERAL SERVICES										
34	Cafeteria	680,271	595,116	665,445	3.34	2.81	3.07	9.25		
35	Dietary	1,994,934	2,165,962	2,405,257	9.78	11.75	11.09	5.62		
36	Laundry and Linen	986,632	1,121,794	1,187,238	4.84	5.35	5.47	2.24		
37	Social Service	410,965	450,634	554,426	2.06	2.27	2.56	12.18		
38	Purchasing	-	-	-	-	-	-	-		
39	Housekeeping	2,974,988	3,761,762	3,091,727	11.59	17.78	14.25	19.85		
40	Operation of Plant	810,343	1,160,620	1,030,986	4.27	3.59	4.75	32.31		

EXPENSE ANALYSIS

MRR Form C

Institution University of Minnesota Hospitals

Budget Year End 1976-77

Page 2 of 2

	A	B	C	D	E	F	G	
	Prior Year	Current Year	Budget Year After Rate Increase	COST PER UNIT OF SERVICE			% Incr. (Decr.)	
				Prior Year	Current Year	Budget Year After Rate Increase		
41	Maintenance and Repair							
42	Other Service Dept.	5,609,111.6	6,475,582	7,641,341	27.51	30.60	35.22	15.10
43								
44	Sub Total (Lines 34 thru 43)	13,536,619	15,691,720	16,576,400				
	ADMINISTRATIVE AND FISCAL							
45	Business Office	1,101,590	1,401,864	1,503,891	5.40	6.62	6.93	4.68
46	Communications	209,503	365,632	514,717	1.47	1.73	2.37	36.99
47	Data Processing	873,743	918,513	1,494,714	4.28	4.58	6.69	50.43
48	Credit and Collection	-	-	-	-	-	-	-
49	Admitting	304,262	338,515	362,858	1.49	1.60	1.67	4.38
50	Hospital Administration	1,318,437	1,161,713	1,563,101	6.47	6.91	7.20	4.20
51	Personnel	703,677	658,357	691,006	3.45	3.02	3.19	5.63
52	Medical Records	469,781	555,278	774,950	2.30	2.62	3.57	36.26
53	Nursing Administration	1,438,754	1,514,930	1,643,442	7.06	7.16	7.58	5.87
54								
55								
56								
57								
58								
59	Sub Total (Lines 45 thru 58)	6,510,047	7,245,002	8,548,679				
	OTHER COSTS							
60	Depreciation Building & Building Equipment	841,534	820,225	892,591	4.13	3.88	4.11	5.93
61	Depreciation Movable Equipment							
62	Equipment Rental							
63	Insurance	302,555	338,130	482,000	1.48	1.60	2.22	38.75
64	Interest							
65	Employee Benefits							
66								
67								
68	Sub Total (Lines 60 thru 67)	1,144,089	1,558,403	1,374,591				
69	Total Hospital	55,836,392	65,527,566	74,211,300				
	NURSING HOME							
70	Skilled Care							
71	Intermediate Care I							
72	Intermediate Care II							
73	Boarding Care							
74	Other Direct Expenses							
75	Indirect Nursing Home Expense							
76								
77	Total Nursing Home (Lines 70 thru 76)							
78	Costs Not Covered in Rate Structure							
79								
80	Sub Total (Lines 78, 79)							
81	TOTAL INSTITUTION							

SALARY AND FULL TIME EQUIVALENT (F.T.E.) ANALYSIS

Institution University of Minnesota Hospitals Budget Year End 1976-77

MRR Form D
Page 2 of 2

NON-REVENUE COST CENTERS	A		B		C		D		
	Prior Year		Current Year		Budget Year		F.T.E. Per Thousand Patient Days		
	Dollars	FTE	Dollars	FTE	Dollars	FTE	Prior	Current	Budget
40 Employee Benefits	—	—	—	—	—	—	—	—	—
41 Communications	122,575	15.30	161,919	19.30	180,286	19.30	.08	.09	.09
42 Administrative	369,647	21.90	468,516	24.40	556,916	26.00	.11	.12	.12
43 Social Service	354,488	26.75	399,885	27.25	459,028	29.75	.15	.13	.14
44 Maintenance and Repair	511,512	47.12	537,125	46.00	641,290	46.00	.23	.22	.21
45 Operation of Plant	—	—	—	—	—	—	—	—	—
46 Purchasing	—	—	—	—	—	—	—	—	—
47 Personnel	625,077	27.70	517,857	30.00	548,691	34.00	.14	.14	.16
48 Business Office	706,284	51.23	869,530	61.72	1,026,802	86.22	.40	.38	.39
49 Data Processing	443,101	40.20	538,586	43.00	752,052	52.60	.20	.20	.21
50 Admitting	234,295	26.81	267,001	27.81	274,318	27.81	.13	.13	.13
51 Credit and Collection	—	—	—	—	—	—	—	—	—
52 Laundry and Linen	—	—	99,006	21.50	241,643	21.50	—	.10	.10
53 Housekeeping	2,071,344	273.95	2,522,815	254.00	2,059,958	238.30	1.34	1.20	1.10
54 Dietary	1,262,658	165.90	1,529,675	175.70	1,196,459	135.67	.93	.83	.65
55 Cafeteria	300,276	39.52	236,563	32.74	255,813	32.28	.19	.15	.15
56 Medical Records	377,356	52.40	452,006	52.40	517,287	51.40	.26	.25	.25
57 Nursing Admin.	1,203,446	89.38	1,272,960	86.55	1,361,420	86.55	.44	.41	.41
58 Other Non-Revenue cost centers	1,739,691	125.65	1,529,238	135.40	1,869,425	143.40	.62	.64	.66
59 Residents	1,293,100	152.50	2,204,646	182.50	2,375,506	184.50	.89	.86	.85
60									
61									
62									
63									
64	* This form includes								
65	line 1, 17 & 18 on								
66	Form A								
67									
68									
69									
70									
71									
72									
73	NURSING HOME								
74									
75									
76									
77									
78									
79									
80									
81									
82									
83	TOTAL INSTITUTION		29,810,047	3341.96	34,867,407	3140.20	58,524,741	3209.36	

STATISTICAL DATA

Institution University of Minnesota Hospitals

Budget Year End 1976-77

MRR Form E

		A Units of Service	B	C	D
			Prior Year	Current Year	Budget Year
HOSPITAL					
1	Medical Surgical	Patient Days	124,673	128,085	128,801
2	Pediatric	Patient Days	29,521	27,650	27,768
3	Obstetrical	Patient Days	3,331	3,817	3,972
4	Rehabilitation	Patient Days	8,701	10,563	10,119
5	Diagnostic Care	Patient Days	2,625	3,529	4,407
6	Intensive Care	Patient Days	16,465	19,977	20,606
7	Coronary Care	Patient Days	895	941	910
8	Psychiatry	Patient Days	13,647	14,404	13,826
9	Clinical Research Center	Patient Days	2,074	2,638	2,563
10	Epilepsy Center	Patient Days	—	—	3,971
11		Patient Days			
12	Total Patient Days (Excluding Nursery)		203,932	211,604	216,943
13					
14	Total Inpatient Admissions (Excluding Nursery)		20,230	20,701	21,497
15	Total Inpatient Discharges (Excluding Nursery)		19,581	20,320	20,832
16	Average Hospital Length of Stay (Line 12 ÷ 15)		10.41	10.41	10.11
17	Nursery	Newborn Days	3311	3,377	3477
18	Delivery Room	Deliveries	661	688	720
19	Emergency Room	Visits	19,319	20,431	19,696
20	Operating Room	Hours	30,976	32,630	32,370
21	Recovery Room	Hours	7388	6816	6800
22	Medical Surgical - Supplies	Patient Days	207,243	214,981	220,420
23	Intravenous Solutions	Units	—	—	—
24	Anesthesia	Hours	24,685	23,724	23,850
25	Inhalation Therapy	Hours	58,872	59,974	62,663
26	Radiology	Films	364,923	383,182	523,333
27	Laboratory	Procedures	1,303,586	1,365,459	1,483,527
28	Pharmacy	Prescriptions	511,628	532,486	747,193
29	Physical Therapy	Modalities	43,813	45,821	46,558
30	Occupational Therapy	Projects / Hrs.	—	—	—
31	Electrocardiology	Readings	20,601	21,225	22,965
32	Blood and Blood Derivatives	Units	—	—	—
33	Electroencephalography	Readings	2,997	3,255	3,485
34	Outpatient Clinics	Visits	129,343	127,225	136,599
35					
36					
NURSING HOME					
38	Skilled Care	Patient Days			
39	Intermediate Care I	Patient Days			
40	Intermediate Care II	Patient Days			
41	Boarding Care	Patient Days			
42	Total Nursing Home Days				

DEPRECIATION FUND ANALYSIS

Institution **University of Minnesota Hospitals**

Budget Year End JUNE 30, 1977

MRR Form F

		A	B	C
		Building and Building Equipment	Movable Equipment	OTHER (TRANSFERS) REVENUES (D)
(D) RESTRICTED FOR CAPITAL EXPENDITURES BY STATE LEGISLATURE				
Prior Year Audited				
1	Balance Beginning of Year	7522,697	41670,777	234,220
2	Funding From Depreciation Expense	581,791	555,761	-
3	Funding From Price Level Depreciation Adjustment	-	-	-
4	Investment Income	478,188	225,526	176,708
5	OTHER FUNDING	31,747	15,637	-
6	Total (Lines 1 thru 5)	10,915,423	5497,901	431,138
7	Payment on Debt, Principal	-	-	-
8	Disbursements for Capital Expenditures	2,679,138	1,319,576	35,210
9	RESTRICTED RESERVE EXPENSE	-	-	18,532
10	-Total (Lines 7 thru 9)	2,679,138	1,319,576	18,532
11	Balance End of Year (Lines 6 Less 10)	8,236,285	4,178,325	412,606
11A	RESTRICTED RESERVES TRANSFERRED TO BUILD & EQUIP.	<120,659>	<59,428>	180,087
11B	TOTAL (LINES 7-11A)	2,870,534	1,375,493	233,527
11C	BALANCE END OF YEAR	8,044,889	4,122,408	197,279
Current Year Estimated				
12	Balance Beginning of Year	8,044,889	4,122,408	197,279
13	Funding From Depreciation Expense	870,000	630,000	-
14	Funding From Price - Level Depreciation Adjustment	165,656	147,354	-
15	Investment Income	482,276	263,715	169,500
16	OTHER DEPOSITS	371,808	269,241	-
17	Total (Lines 12 thru 16)	10,416,169	5,432,718	366,779
18	Payment on Debt, Principal	-	-	-
19	Disbursements for Capital Expenditures	461,286	136,835	-
20	TRANSFER TO POINT FUND FROM DEPRECIATION RESERVE	570,972	-	-
21	Total (Lines 18 thru 20)	1,032,258	136,835	-
22	Balance End of Year (Line 17 less 21)	9,383,911	5,295,883	366,779
Budget Year Estimated				
23	Balance Beginning of Year	9,383,911	5,295,883	366,779
24	Funding From Depreciation Expense (H-42)	914,410	718,500	-
25	Funding From Price Level Depreciation Adjustment (H-44)	422,032	151,517	-
26	Investment Income	531,960	236,435	187,100
27	OTHER DEPOSITS	40,823	29,568	-
28	Total (Lines 23 thru 27)	11,702,576	5,226,363	553,879
29	Payment on Debt, Principal	-	-	-
30	Disbursements for Capital Expenditures	2,204,271	1,271,500	553,879
31		-	-	-
32	Total (Lines 29 thru 31)	2,204,271	1,271,500	553,879
33	Balance End of Year (Lines 28 Less 32)	9,498,305	4,014,863	-

RESTRICTED FUND ANALYSIS

Institution University of Minnesota Hospitals

Budget Year End 1976-77

MRR Form G

		A
		Restricted Funds Less Depreciation Fund
Prior Year - Audited		
1	Balance Beginning of Year	7,386,941
2	Funds Received During Year	31,581
3	Investment Income On Restricted Funds	583,652
4	Total (Lines 1 thru 3)	8,002,174
5	Expenditures To Operating Expenses	176,933
6	Expenditures To Capital Improvements	<295,803>
7	TRANSFER TO UNIVERSITY NON/HOSPITAL	67,837
8	Total (Lines 5 thru 7)	<51,033>
9	Balance End of Year (Line 4 - 8)	8,053,207
Current Year - Estimated		
	Balance Beginning of Year	8,053,207
11	Funds Received During Year	52,097
12	Investment Income On Restricted Funds	582,153
13	Total (Lines 10 thru 12)	8,687,457
14	Expenditures To Operating Expense	38,734
15	Expenditures To Capital Improvements	29,535
16	TRANSFER TO UNIVERSITY NON/HOSPITAL	20,600
17	Total (Lines 14 thru 16)	88,869
18	Balance End Of Year (Line 17 - 13)	8,598,588
Budget Year - Estimated		
19	Balance Beginning of Year	8598,588
20	Funds Received During Year	50,000
21	Investment Income On Restricted Funds	619,000
	Total (Lines 19 thru 21)	9267,588
23	Expenditures To Operating Expense	-0-
24	Expenditures To Capital Improvements	-0-
25		
26	Total (Lines 23 thru 25)	-0-
27	Balance End of Year (Line 26 - 22)	9267,588

PRICE LEVEL DEPRECIATION ADJUSTMENT – BUILDINGS & BUILDING EQUIPMENT

Institution MM 14050 Budget Year End 1976-77 MRR Form H
 Annual Depreciation is Calculated Using the SYD pre 1966, ST after Method Page 1 of 2

	NOTES (OPTIONAL)	A	B	C	D	E
		Year Asset Acquired	Historical Cost of Assets	Budget Year Annual Depreciation Expense	Cumulative Index Factor	Price-Level Depreciation
1	Acct 1: Land & Improvements	1925-54	31,442.40	520.18	2.78	1446.10
2		1959	2,339.73	88.75	2.368	210.16
3		1960	23,891.62	979.19	2.305	2257.03
4		1965	3,108.35	144.52	2.115	305.66
5		1966	18,809.23	993.59	2.039	2025.93
6		1969	2,093.00	117.76	1.744	205.37
7		1972	13,992.84	1114.44	1.400	1560.22
8	SYD DECLINE			(500.00)		(500.00)
9						
10						
11	Acct 2: BUILDINGS	1911-1954	6,811,281.45	193,176.38	2.78	537,030.34
12		1955	20,969.50	707.40	2.722	1925.51
13		1957	45,988.65	1503.36	2.483	3737.84
14		1958	26,109.45	1007.16	2.409	2426.25
15		1959	518,172.97	11,815.64	2.368	27079.44
16		1960	19,246.02	782.05	2.305	1802.63
17		1961	44,820.17	1,766.76	2.281	4029.98
18		1962	44,665.46	1,850.45	2.259	4180.17
19		1963	25,267.46	701.08	2.209	1548.69
20		1964	4,503.38	212.56	2.171	461.47
21		1965	1,140,169.01	30,941.08	2.115	65482.68
22		1966	527,017.86	18,725.28	2.309	38180.85
23		1967	1,068,636.21	33,398.68	1.957	65366.22
24		1968	126,990.17	6,238.95	1.865	11635.64
25		1969	104,231.00	6,030.20	1.744	10,516.67
26		1970	176,196.00	10,310.48	1.621	16,713.29
27		1971	151,111.57	8,163.44	1.526	12,457.41
28		1972	99,705.71	4,773.00	1.400	6,682.20
29		1973	69,765.45	2,771.96	1.303	3,611.86
30		1974	691,017.13	46,300.60	1.195	55,329.72
31		1975	2,376,763.25	63,127.16	1.080	68177.33
32		1976	4,445.18	41.75	1.011	42.21
33	SYD DECLINE			(18,000.00)		(18,000.00)
34						
35						
36						
37						
38						
39						
40	Total Institution					
41						
42	Less: Annual Depreciation Expense – (Col. C, Line 40)					
43						
44	Price Level Depreciation Adjustment					

PRICE LEVEL DEPRECIATION ADJUSTMENT – BUILDINGS & BUILDING EQUIPMENT

Institution _____ Budget Year End _____ MRR Form H
 Annual Depreciation is Calculated Using the _____ Method Page 1 of 2

NOTES (OPTIONAL)	A	B	C	D	E
	Year Asset Acquired	Historical Cost of Assets	Budget Year Annual Depreciation Expense	Cumulative Index Factor	Price-Level Depreciation
1 Acct 3: Bldg. Svcs.	1911-1954	2,542,466.16	32,073.35	2.78	89,163.91
2	1957	25,990.14	580.96	2.483	1,442.52
3	1958	70,243.04	2,081.49	2.409	5,014.31
4	1959	347,594.76	14,938.48	2.368	35,374.32
5	1960	16,630.10	354.28	2.305	816.62
6	1961	51,836.27	2,165.77	2.281	4940.12
7	1962	27,991.38	1,092.49	2.259	2467.93
8	1963	102,351.49	4,600.81	2.209	19,163.19
9	1964	132,150.03	6,307.16	2.171	13,692.84
10	1965	725,977.13	34,293.81	2.115	72,531.41
11	1966	264,796.33	13,653.33	2.039	27,839.14
12	1967	816,408.89	41,706.60	1.957	81,619.82
13	1968	41,891.96	2,388.87	1.865	4,455.24
14	1969	66,723.00	4,036.05	1.744	7,038.97
15	1970	190,379.00	13,118.24	1.621	21,264.67
16	1971	351,832.21	20,249.28	1.526	30,900.40
17	1972	197,323.84	11,348.48	1.400	15,887.57
18	1973	58,171.04	3,040.20	1.303	3,961.35
19	1974	713,178.68	41,723.12	1.195	49,859.13
20	1975	2,174,000.08	112,011.11	1.080	120,972.00
21	1976	2,442.86	56.09	1.011	56.71
22					
23 PROJ. Add. 76-77		1,505,000.00	106,260.86	1.000	106,260.86
24 SYD DECLINE			(43,000.00)		(43,000.00)
25					
26 Acct 4: FIXED EQUIPMENT	1965+ prior	819,778	16,361.52	1.896	31,021.41
27	1966	18,600	877.69	1.837	1,612.15
28	1967	242,759	13,460.16	1.765	23,757.18
29	1968	19,223	1,109.20	1.688	1,872.33
30	1969	33,151	2,138.44	1.610	3,442.89
31	1970	66,049	4,645.84	1.504	6,987.24
32	1971	13,629	1,294.08	1.408	1,822.06
33	1972	25,593	2,069.44	1.354	2,802.02
34	1973	15,477	1,326.68	1.300	1,724.68
35	1974	3,509	448.24	1.132	507.41
36	1975	39,522	2,652.37	1.024	2,746.75
37	1976	9,682	272.75	1.000	272.75
38 SYD DECLINE			(9,000.00)		(9,000.00)
39					
40 Total Institution			892,591.00		1,661,110.66
41					
42 Less: Annual Depreciation Expense – (Col. C, Line 40)					892,591.00
43					
44 Price Level Depreciation Adjustment					768,519.66

PRICE LEVEL DEPRECIATION ADJUSTMENT - MOVABLE EQUIPMENT

Institution U.M. Hosp

Budget Year End 76-77

Annual Depreciation is Calculated Using the SYD per 1966, st. line thereafter Method

	NOTES (OPTIONAL)	A	B	C	D	E
		Year Asset Acquired	Historical Cost of Asset	Annual Depreciation Expense	Cumulative Index Factor	Price - Level Depreciation
1	Acct 5: MOVABLE EQUIP.	1965+prior	2,146,561.51	20,323.77	1.896	38,533.87
2		1966	858,901.24	26,072.36	1.837	47,894.93
3		1967	621,771.12	22,670.60	1.765	40,013.61
4		1968	530,322.75	27,496.01	1.688	46,413.26
5		1969	389,002.60	23,105.29	1.610	37,199.52
6		1970	576,417.18	46,683.80	1.504	70,212.44
7		1971	514,847.91	46,761.95	1.408	65,840.53
8		1972	415,390.99	37,895.51	1.354	51,310.52
9		1973	619,287.94	60,095.52	1.300	78,124.18
10		1974	992,975.45	112,571.44	1.132	127,430.87
11		1975	1,151,536.67	121,145.49	1.024	124,052.98
12		1976	1,293,622.37	85,739.27	1.000	85,739.27
13	SYD DECLINE			<18,000>		<18,000>
14						
15	PROJECTED Addit. 76-77		1,600,000.00	127,847.99	1.000	127,847.99
16						
17						
18						
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21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
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33						
34						
35						
36						
37						
38						
39						
40	TOTAL INSTITUTION			740,409.00		922,614.27
41						
42	Less: Annual Depreciation Expense					740,409.00
43						
44	Price Level Depreciation Adjustments					182,205.27

WORKING CAPITAL REQUIREMENT

Institution University of Minnesota Hospitals Budget Year End June 30, 1977 MRR Form I

	A	B	C		D	
			END OF BUDGET YEAR		Before Increase (Estimated)	After Increase (Estimated)
	End Of Prior Year (Audited)	End Of Current Year (Estimated)				
1 Medicare Patient Receivables	\$ 2,956,339	\$ 3,471,497	\$ 3,615,000		\$ 3,924,500	
2 Medicaid Patient Receivables	1,883,890	2,116,324	2,203,000		2,398,000	
3 Blue Cross Patient Receivables	1,528,063	1,520,461	1,583,200		1,723,000	
4 Other Patient Receivables	7,723,998	9,010,558	9,463,210		10,269,410	
5 Total Patient Receivables	14,101,890	16,118,840	16,864,210		18,424,910	
6 Accumulated Provision For Uncollectible Accounts	(2,400,000)	(2,820,000)	(3,258,000)		(3,298,000)	
7 Other Receivables	336,905	289,500	326,900		326,900	
8 Inventories	1,325,565	1,621,829	1,886,674		1,886,674	
9 Prepaid Expense						
10 SubTotal Assets (Line 5 thru 9)	\$ 13,364,360	\$ 15,212,169	\$ 15,519,784		\$ 17,340,537	
11 Accounts Payable (Excluding Capital Expenditures)	2,966,798	4,179,243	4,237,004		4,237,004	
12 Other Current Liab. (Excl. Current Portion Of Long Term Debt)						
13 SubTotal Lines (11 + 12)	2,966,798	4,179,243	4,237,004		4,237,004	
14 NET (Lines 10 - 13)	\$ 10,397,562	\$ 11,030,926	\$ 11,582,780		\$ 13,103,533	
	(For Computation of Line 15 use Line 14)	(B-A)	(C-B)		(D-B)	
15 Working Cap, Requirement (To A-24)		633,364	\$ 551,854		\$ 3,072,601	
15a Rate Increase Increment - Working Capital Require. (Line 15, cl. D-C)					\$ 1,520,755	
NOTE: Year End Cash Balance	\$ 2,825,307	\$ 2,797,314	\$ -		\$ 4,579,471	
Estimated Number Of Days Charges In Accounts Receivable						
16 Patient Charges Per Calendar Day	\$ 141,145	\$ 169,672	\$ 177,518		\$ 193,447	
17 Number Of Days Charges In Total Patient Receivables (Line 5 ÷ 16)	100.0 Days	95.0 Days	95.0 Days		95.0 Days	
18 Analysis Line 17 (Prior Year Only)						
a. Medicare	21.0 Days					
b. Medicaid	13.3 Days					
c. Blue Cross	10.8 Days					
d. Other	54.9 Days					
e. Total (Must Equal Line 17)	Days					
19 Number Of Days Charges In Accumulated Provision (Line 6 ÷ 16)	17.0 Days	16.6 Days	18.4 Days		17.0 Days	
Accounts Written Off Net Of Collections						
20 Net Dollar Amount	\$ 1135426	\$ 1132000	\$ 1183000		\$ 1292000	
21 Percentage Of Patient Charges	2.2 %	1.8 %	1.8 %		1.8 %	
22						
23						

OTHER OPERATING AND NON-OPERATING REVENUE - NET

Institution University of Minnesota Hospitals Budget Year End June 30, 1977 MRR Form J

REVENUE (EXPENSE)	A	B	C		D
	Prior Year	Current Year	BUDGET YEAR		After Rate Increase
			Before Rate Increase		
Other Operating Revenue - Net					
1 Discounts On Purchases					
2 Cafeteria <i>and Food Services</i>	690,403	616,738	620,612		620,612
3 Medical Records					
4 Telephone					
5 Television					
6 Rental Of Hospital Space <i>- Powell Hall Motel</i>	179,267	262,312	245,040		245,040
7 Supplies					
8 Drugs					
9 Rental Property					
10 Nursing Home - Non-patient					
11 <i>Donations to Operations</i>	28,739	-	-		-
12 <i>Donations to Operations from Restricted Funds</i>	30,012	38,734	-		-
13 <i>Departmental - Non-patient Revenue</i>	310,959	255,915	232,146		232,146
14					
15					
16 Total Other Operating Revenue - Net	1,339,380	1,173,699	1,097,798		1,097,798
17a Rate Increase Increment					-0-
Non-Operating Revenue					
17 Unrestricted Contributions	6,458,982	7,185,500	7,769,361		7,769,361
18 Income On Unrestricted Investments					
19 Tax Levies					
20					
21 SubTotal (Lines 17 thru 20)	6,458,982	7,185,500	7,769,361		7,769,361
22 Less Amount Not Reducing Requirements (Line 32)	(-)	(-)	(637,958)		(481,703)
23 Total Non-Operating Revenue - Net	6,458,982	7,185,500	1,431,403		2,952,158
24 Rate Increase Increment - Non Operating Revenue - Net					1,520,755
Calculation Line 22					
25 Unrestricted Contributions			7,769,361		7,769,361
26 Tax Levies					
27 SubTotal (Lines 25 & 26)			7,769,361		7,769,361
28 Price Level Depreciation Adj. - Bld.			722,032		722,032
29 Price Level Depreciation Adj. - Equip.			157,517		157,517
30 Working Capital Requirement			551,854		2,072,609
31 SubTotal (Lines 28 thru 30)			1,431,403		2,952,158
32 Line 22 -- Calculated (Line 27 31. If Negative Enter 0)			6,337,958		4,817,203

ALLOWANCES AND UNCOLLECTIBLE ACCOUNTS

Institution _____ Budget Year End June 30, 1977 MRR Form O

		BUDGET YEAR			
		Prior Year	Current Year	Before Rate Increase	After Rate Increase
HOSPITAL					
1	Medicare (01-13)				
2	Prior Years Medicare				
3	Medicaid (02-13)	9,789	37,063		116,223
4	Prior Years Medicaid				
5	Blue Cross (03-13 or 16)				
6	Prior Years Blue Cross				
7	Hill Burton - Free Care <i>Charitable Care</i>	1,307,584	1,658,347	1,767,795	1,977,671
8	Provision For Uncollectible Accounts	1,035,425	1,552,501	1,619,854	1,769,762
9	<i>Billing Adjust - Kidney Program / Clinical Research</i>	221,764	436,792	552,550	552,550
10	<i>Professional Fee / Special Clinic Prog. Payments</i>	604,502	661,593	779,043	587,631
11	<i>Donations from Restricted Funds</i>	(46,921)	(7,000)		
12	SubTotal - Hospital	3,132,143	4,339,296	4,719,242	5,003,840
NURSING HOME					
13	Medicare (04-13)				
14	Prior Years Medicare				
15	Medicaid (05-25)				
16	Prior Years Medicaid				
17					
18	SubTotal - Nursing Home				
19	TOTAL INSTITUTION (To A-26)	3,132,143	4,339,296	4,719,242	5,003,840
20	Rate Increase Increment				
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					

UNIVERSITY OF MINNESOTA HOSPITALS
 PROPOSED RATE CHANGE SUMMARY
 BUDGET YEAR 1976-77

	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Amount of Change</u>	<u>Projected Patient Days</u>	<u>Change in Rev Due to Rate Change</u>
<u>Routine Charges</u>					
Pediatrics	\$135	\$150	\$15	27,768	\$ 416,520
Medical/Surgical	95	98	3	41,087	123,261
	130	124	(6)	19,119	(114,714)
	110	124	14	51,108	715,512
	95	124	29	21,378	619,962
	130	150	20	1,869	37,380
	75	98	23	8,378	192,694
	100	124	24	4,361	104,664
	90	98	8	3,972	31,776
	50	55	5	3,477	17,385
Psychiatry	100	124	24	13,826	331,824
Special Care	174	205	31	5,619	174,189
	215	245	30	1,038	31,140
	290	335	45	3,565	160,425
	220	255	35	6,392	223,720
	220	200	(20)	1,577	(31,540)
	255	260	5	910	4,550
	395	400	5	943	4,715
 SUB Total Routine					 \$3,043,463

UNIVERSITY OF MINNESOTA HOSPITALS
PROPOSED RATE CHANGE SUMMARY

	Proj Revenue Before Rate Change	Proj Revenue After Rate Change	Change in Rev Due to Rate Change	% Change in Revenue
<u>Ancillary Charges</u>				
Neurology Lab	\$ 50,570	\$ 118,120	\$ 67,550	33.6
Cystometric Lab	4,750	9,500	4,750	100.0
E.E.G. Lab	158,225	219,275	61,050	38.6
E.C.G. Lab	347,016	369,975	22,959	6.6
Radiation Therapy	497,889	590,834	92,945	18.7
Kidney Dialysis	746,176	1,138,176	392,000	52.5
Heart Cath Nursing	138,549	175,095	36,546	26.4
Heart Cath Lab	87,782	182,445	94,663	107.8
Operating Room	4,008,852	4,223,220	214,368	5.4
Post Anesthesia Recovery	312,800	374,000	61,200	19.6
Anesthesiology	1,105,050	1,295,850	190,800	17.3
Kidney Acq. (Cadaver)	210,000	300,000	90,000	42.9
Kidney Acq. (Donor)	400,000	480,000	80,000	20.0
C.S.S.	2,427,395	2,621,587	194,192	8.0
Pharmacy-Inpatient	4,547,911	5,045,648	497,737	10.9
Pharmacy-Outpatient	1,064,502	1,196,544	132,042	12.4
Childbearing/rearing	39,000	48,750	9,750	25.0
Patient Monitoring	118,448	174,471	56,023	47.3
Respiratory Therapy	1,131,536	1,347,976	216,440	19.1
Blood Bank	2,386,019	2,412,726	26,707	1.1
Clinical Labs	10,055,606	10,091,986	36,380	.4
Surgical Pathology	609,496	722,732	113,236	15.7
Diagnostic Radiology	4,424,141	4,645,348	221,207	5.0
Rehabilitation	322,186	409,240	87,054	27.0
OPD Clinics	1,022,421	1,147,121	124,700	12.2
Emergency Room	341,588	374,864	33,276	9.7
Adult Psych Day Care	27,000	30,800	3,800	14.1
Peds Psych Day Care	102,000	103,400	1,400	1.4
Subtotal Ancillary			<u>\$3,162,775</u>	
Special Duty Nursing	209,778	-0-	<u>(209,778)</u>	(100.0)
Total Increase in Revenue Due to Rate Change			<u><u>\$5,996,460</u></u>	

UNIVERSITY OF MINNESOTA HOSPITALS
 SUPPLEMENTAL SUMMARY OF NET PATIENT RECEIVABLES
 MRR FORM I
 BUDGET YEAR END JUNE 30, 1977

	End of Prior Year (Audited)	End of Current Year (Estimated)	End of Budget Year	
			Before Increase (Estimated)	After Increase (Estimated)
Medicare Patient Receivables (A)	\$ 2,956,939	\$ 3,471,497	\$ 3,615,000	\$ 3,934,500
Medical Assistance (B)				
Gross Patient Receivables	1,893,679	2,116,324	2,203,000	2,514,223
M.A. Estimated Contract Adj.	(9,789)	-0-	-0-	(116,223)
Net M.A. Patient Receivables	\$ 1,883,890	\$ 2,116,324	\$ 2,203,000	\$ 2,398,000
Blue Cross Patient Receivables (C)	1,528,063	1,520,461	1,583,000	1,723,000
All Other Patient Receivables	<u>7,732,998</u>	<u>9,010,558</u>	<u>9,463,210</u>	<u>10,369,465</u>
Total Net Patient Receivables	<u>\$14,101,890</u>	<u>\$16,118,840</u>	<u>\$16,864,210</u>	<u>\$18,424,965</u>

- (A) Medicare interim billings are paid at 100% of charges - final settlement projected on charge basis (charges < cost).
- (B) Medical Assistance (M.A.) settlements are based on relationship of M.A. charges and costs from 1973-74 which is last year the hospital has complete figures on.
- (C) Blue Cross settlement projected on charge basis (charges < cost).

UNIVERSITY OF MINNESOTA HOSPITALS
STATEMENT OF OPERATIONS
FOR PERIOD JULY 1, 1975 to MARCH 31, 1976

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance Over/(Under) Budget</u>	<u>Variance %</u>
<u>Patient Care Charges</u>				
Routine	\$18,518,877	\$19,256,457	\$ 737,580	3.9
Ancillary	26,348,316	26,199,890	(148,426)	(.6)
Professional Fees	559,919	568,989	9,070	1.6
Gross Charges	<u>\$45,427,112</u>	<u>\$46,025,336</u>	<u>\$ 598,224</u>	<u>1.3</u>
<u>Deductions from Charges</u>				
Pro Fees Paid	\$ 357,833	\$ 367,862	\$ 10,029	2.8
Special Duty Nsg.	127,448	130,625	3,177	2.5
Third Party Contract Adj.	33,841	33,841	-0-	
Billing Adjustments & Employee Benefits	442,544	460,974	18,430	4.2
Charitable Care	598,125	531,038	(67,087)	(11.2)
Other Contract Adj.	224,328	469,059	244,731	109.1
Allow. for Uncoll. Accts	1,299,961	1,334,981	35,020	2.7
Donations from Restricted Funds		(4,693)	(4,693)	
Total Deductions	<u>\$ 3,084,080</u>	<u>\$ 3,323,687</u>	<u>\$ 239,607</u>	<u>7.7</u>
<u>Other Operating Revenue</u>				
Food Services	\$ 464,424	\$ 457,583	\$ (6,841)	(1.5)
Powell Hall Motel	197,211	193,859	(3,352)	(1.7)
Departmental Non-Patient	136,825	107,956	(28,869)	(21.1)
Reference Lab Income	108,945	90,166	(18,779)	(17.2)
Donations to Operations from Restricted Funds		89,122	89,122	
Total Other Revenue	<u>\$ 907,405</u>	<u>\$ 938,686</u>	<u>\$ 31,281</u>	<u>3.4</u>
Total Revenue from Operations	\$43,250,437	\$43,640,335	\$ 389,898	0.9
<u>Expenditures</u>				
Salaries	\$24,148,993	\$23,882,194	\$ (266,799)	(1.1)
Fringe Benefits	3,746,897	3,567,126	(179,771)	(4.8)
Accrued Vacation & Timeback	125,454	125,454	-0-	
Academic Contracts	800,963	800,963	-0-	
Resident Contracts	1,647,929	1,647,929	-0-	
Physician Compensation	1,662,249	1,797,646	135,397	8.1
Total Salaries, Wages, F.B. & Fees	32,132,485	31,821,312	(311,173)	(1.0)
Laundry & Linens	947,864	904,484	(43,380)	(4.6)
Raw Food	782,457	779,660	(2,797)	(0.4)
Drugs	2,254,700	2,655,438	400,738	17.8
Blood & Blood Derivatives	1,207,332	1,158,766	(48,566)	(4.0)
Medical Supplies	2,930,998	3,088,792	157,794	5.2
Utilities	507,355	507,355		
Insurance	254,096	254,293	197	0.1
Net Loss on Disposal of Assets		9,221	9,221	
Campus Adm. Exp.	1,972,336	1,972,336	-0-	
Depreciation	1,127,044	1,115,646	(11,398)	(1.0)
General Supplies & Exp.	4,449,120	4,085,048	(364,072)	(8.1)
Total Expenditures	<u>\$48,565,787</u>	<u>\$48,352,351</u>	<u>\$ (213,436)</u>	<u>(.4)</u>
Net Revenue from Operations	\$(5,315,350)	\$(4,712,016)	\$ 603,334	
<u>Non-Operating Revenue</u>				
Appropriations and Support	\$ 5,271,584	\$ 5,271,584	-0-	
Accrued Interest on Approp.	127,358	127,358	-0-	
Interest Income on Reserves	560,527	560,527	-0-	
Total Non-Operating Revenue	<u>\$ 5,959,469</u>	<u>\$ 5,959,469</u>	<u>-0-</u>	
Excess of Revenue over Expenses	\$ 644,119	\$ 1,247,453	\$ 603,334 (1)	

(1) Variance equals 1.30% of Total Budgeted Revenue

UNIVERSITY OF MINNESOTA HOSPITALS
STATEMENT OF CHANGES IN FUND BALANCES
FISCAL YEAR 9 MONTHS ENDING MARCH 31, 1976

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Plant Fund</u>	<u>Total Unrestricted Funds</u>
<u>Unrestricted Funds</u>				
Beginning Balance	\$11,527,808	\$12,364,596	\$20,219,161	\$44,111,565
Net Income:				
Excess of Revenue over Expenses	1,687,408			
Accrued Reserve Interest Income		560,527		
Accrued Appropriation Interest Inc.		127,358		
Misc. Expenses		(2,973)		
Depreciation Expense			(1,115,646)	
Loss on Sale of Assets			(9,221)	
Total Unrestricted Income less Expenses				1,247,453
Campus G&A Support	1,972,336			1,972,336
Transfers to Plant to Finance Property, Plant, and Equip. Expenditures	(1,723,395)	(159,314)	1,882,709	
Decrease in Restricted Fund Commitment to Plant			(69,981)	(69,981)
Transfer to Fund Depreciation at Price Level	(955,971)	955,971		
Third Party Insurance Settlement from 73-74	(181,932)	181,932		
Adjustments for Equip Inventory and Sale of Assets			(1,835)	(1,835)
	<u>\$12,326,254</u>	<u>\$14,028,097</u>	<u>\$20,905,187</u>	<u>\$47,259,538</u>
		<u>Gift Funds</u>	<u>Endowment Funds</u>	
<u>Restricted Funds</u>				
Beginning Balance 7/1/75	\$560,098	\$7,493,109		\$ 8,053,207
Net Income:				
Gifts	46,146			
Accrued Interest Income		437,410		
Misc. Expenses	(1,806)	(30,782)		
Charity Expense	(52)	(4,695)		
Contribution to Community University Health Care Center Expense		(56,483)		
Total Restricted Income less Expenses				389,738
Decrease in Commitment to Plant Funds	69,981			69,981
Contribution to Community University Health Care Center Building		(20,600)		(20,600)
	<u>\$674,367</u>	<u>\$7,817,959</u>		<u>\$ 8,492,326</u>

UNIVERSITY OF MINNESOTA HOSPITALS
STATEMENT OF FINANCIAL CONDITION
MARCH 31, 1976

Current Assets

Cash Working Funds	\$ 31,845
Cash and Investments	6,177,193
Patient Accounts Receivable	
Less Allowances for possible losses in Collection	13,143,846
Amounts due from third party payor cost reimbursement programs	124,330
Accrued Interest Receivable	687,885
Accrued Reference Laboratory Income Receivable	82,288
Inventories of Drugs and Supplies	1,025,565
Campus Inventory Reserve	300,000
Total Current Assets	<u>\$21,572,952</u>

Long Term Investments

\$10,657,297

Plant and Equipment

Cash and Investments for Construction	\$ 967,884
Construction in Progress	3,144,946
Plant and Equipment	34,467,385
Less Allowances for Depreciation	<u>(17,675,028)</u>
Total Plant and Equipment	<u>\$20,905,187</u>

Restricted Endowment & Gift Investments \$ 8,492,326

Total Assets \$61,627,762

Current Liabilities

Trade Accounts Payable	\$ 820,657
Accrued Salary and Wages Payable	1,827,718
Accrued Vacation and Timeback Payable	1,591,283
Contracts Payable	1,167,213
Accrued Professional Fees	<u>469,027</u>

Total Current Liabilities \$ 5,875,898

Fund Balances

<u>Unrestricted Funds:</u>	
Operating Funds	\$12,326,254
Reserve Funds	14,028,097
Plant Funds	<u>20,905,187</u>
	<u>\$47,259,538</u>

Restricted Funds:

Gift Funds	\$ 674,367
Endowment Funds	<u>7,817,959</u>
	<u>\$ 8,492,326</u>

Total Liabilities and Fund Balances \$61,627,762

UNIVERSITY OF MINNESOTA HOSPITALS
STATEMENT OF OPERATIONS
FOR PERIOD JULY 1, 1975 TO MAY 31, 1976

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance Over/(Under) Budget</u>	<u>Variance %</u>
<u>Patient Care Charges</u>				
Routine	\$22,624,974	\$23,679,962	\$1,054,988	4.7
Ancillary	32,468,709	32,298,578	(170,131)	(.5)
Professional Fees	684,119	697,722	13,603	2.0
Gross Charges	<u>\$55,777,802</u>	<u>\$56,676,262</u>	<u>\$ 898,460</u>	1.6
<u>Deductions from Charges</u>				
Pro Fees Paid	\$ 437,207	\$ 438,104	\$ 897	.2
Special Duty Nsg.	155,718	157,485	1,767	1.1
Third Party Contract Adj.	41,620	143,413	101,793	244.6
Billing Adjustments & Employee Benefits	540,646	580,443	39,797	7.4
Charitable Care	730,799	640,982	(89,817)	(12.3)
Other Contract Adj.	273,878	531,076	257,198	94.0
Allow for Uncoll Accts	1,588,316	1,601,225	12,909	.8
Donations from Restricted Funds		(6,868)	(6,868)	
Total Deductions	<u>\$ 3,768,184</u>	<u>\$ 4,085,860</u>	<u>\$ 317,676</u>	8.4
<u>Other Operating Revenue</u>				
Food Services	\$ 567,442	\$ 565,951	\$ (1,491)	(.3)
Powell Hall Motel	240,956	240,183	(773)	(.3)
Departmental Non-Patient	167,173	126,795	(40,378)	(24.2)
Reference Lab Income	133,111	110,166	(22,945)	(17.2)
Donations to Operations from Restricted Funds		35,559	35,559	
Total Other Revenue	<u>\$ 1,108,682</u>	<u>\$ 1,078,654</u>	<u>\$ (30,028)</u>	(2.7)
Total Revenue from Operations	\$53,118,300	\$53,669,056	\$ 550,756	1.0
<u>Expenditures</u>				
Salaries	\$29,704,455	\$29,246,903	\$ (457,552)	(1.5)
Fringe Benefits	4,607,562	4,395,419	(212,143)	(4.6)
Accrued Vacation & Timeback	153,282	153,282	-0-	
Academic Contracts	979,387	979,387	-0-	
Resident Contracts	2,013,469	2,013,469	-0-	
Physician Compensation	<u>2,030,966</u>	<u>2,235,496</u>	<u>204,530</u>	10.1
Total Salaries, Wages, F.B. & Fees	39,489,121	39,023,956	(465,165)	(1.2)
Laundry & Linens	1,158,368	1,119,382	(38,986)	(3.4)
Raw Food	956,238	927,103	(29,135)	(3.0)
Drugs	3,018,632	3,385,241	366,609	12.1
Blood & Blood Derivatives	1,475,141	1,372,924	(102,217)	(6.9)
Medical Supplies	3,590,267	3,792,504	202,237	5.6
Utilities	619,896	619,896	-0-	
Insurance	310,458	268,344	(42,114)	(13.6)
Net Loss on Disposal of Assets		9,222	9,222	
Campus Adm. Exp.	2,409,836	2,409,836	-0-	
Depreciation	1,377,044	1,363,519	(13,525)	(1.0)
General Supplies & Exp.	<u>5,442,252</u>	<u>4,992,108</u>	<u>(450,144)</u>	(8.3)
Total Expenditures	<u>\$59,847,253</u>	<u>\$59,284,035</u>	<u>\$ (563,218)</u>	(.9)
Net Revenue from Operations	\$(6,728,953)	\$(5,614,979)	\$1,113,974	
<u>Non-Operating Revenue</u>				
Appropriations & Support	\$ 6,440,916	\$ 6,440,916	-0-	
Accrued Interest on Approp.	155,608	155,608	-0-	
Interest Income on Reserves	685,107	685,107	-0-	
Total Non-Operating Revenue	<u>\$ 7,281,631</u>	<u>\$ 7,281,631</u>	<u>-0-</u>	
Excess of Revenue over Expenses	\$ 552,678	\$ 1,666,652	\$1,113,974 (1)	

(1) Variance equals 1.96% of Total Budgeted Revenue

UNIVERSITY OF MINNESOTA HOSPITALS
STATEMENT OF OPERATIONS
FYE JUNE 76

	Actual July 75-May 76	Projected June 76	Projected July 75-June 76
<u>Patient Care Charges</u>			
Routine	\$23,679,962	\$2,254,193	\$25,934,155
Ancillary	32,298,578	3,097,600	35,396,178
Pro Fees	<u>697,722</u>	<u>72,000</u>	<u>769,722</u>
Gross Charges	\$56,676,262	\$5,423,793	\$62,100,055
<u>Deductions from Charges</u>			
Pro Fees Paid	595,589	66,004	661,593 ✓
Special Duty Nsg.	143,413	1,587	145,000
Third Party Contract Adj.	1,752,501	234,701	1,987,202
Billing Adj.	1,601,225	(48,724)	1,552,501 ✓
Charitable Care	1,601,225	(48,724)	1,552,501 ✓
Other Contract Adj.	1,601,225	(48,724)	1,552,501 ✓
Allow for Uncoll Accts	1,601,225	(48,724)	1,552,501 ✓
Donations from Restricted Funds	<u>(6,868)</u>	<u>(132)</u>	<u>(7,000) ✓</u>
Total Deductions	\$ 4,085,860	\$ 253,436	\$ 4,339,296
<u>Other Operating Revenue</u>			
Food Services	\$ 565,951	\$ 50,787	\$ 616,738
Powell Hall Motel	240,183	22,129	262,312
Dept Non-Patient	126,795	8,790	135,585
Reference Lab Income	110,166	10,164	120,330
Donations to Operations from Restricted Funds	<u>35,559</u>	<u>3,175</u>	<u>38,734</u>
Total Other Revenue	\$ 1,078,654	\$ 95,045	\$ 1,173,699
Total Revenue from Operations	\$53,669,056	\$5,265,402	\$58,934,458
<u>Expenditures</u>			
Salaries	\$29,246,903	\$3,268,430 *	\$32,515,333
Fringe Benefits	4,395,419	546,911	4,942,330
Accrued Vacation	153,282	14,146	167,428
Academic Contract	979,387	87,774	1,067,161
Resident Contract	2,013,469	191,177	2,204,646
Physicians Compensation	<u>2,235,496</u>	<u>256,268</u>	<u>2,491,764</u>
Total Salaries, Wages, F.B. and Fees	39,023,956	\$4,364,706	\$43,388,662
Laundry & Linens	1,119,382	\$ 98,880	\$ 1,218,262
Raw Food	927,103	81,854	1,008,957
Drugs	3,385,241	307,114	3,692,355
Blood & Blood Derivatives	1,372,924	124,412	1,497,336
Medical Supplies	3,792,504	339,928	4,132,432
Utilities	619,896	55,335	675,231
Insurance	268,344	69,836	338,180
Campus Admin. Exp.	2,409,836	215,164	2,625,000
Depreciation	1,363,519	136,481	1,500,000
General S&E	4,992,108	449,821	5,441,929
Net Loss on Disposal of Assets	<u>9,222</u>	<u>-</u>	<u>9,222</u>
Total Expenditures	\$59,284,035	\$6,243,531	\$65,527,566
Net Revenue from Operations	\$(5,614,979)	\$ (978,129)	\$(6,593,108)
<u>Non-Operating Revenue</u>			
Appropriations & Support	\$ 6,440,916	\$ 575,084	\$ 7,016,000
Accrued Int. on Approp.	840,715	75,066	915,781
Accrued Int. on Reserves	<u>840,715</u>	<u>75,066</u>	<u>915,781</u>
Total Non-Operating Rev.	\$ 7,281,631	\$ 650,150	\$ 7,931,781
Excess of Revenue over Expense	\$ 1,666,652	\$ (327,979)	\$ 1,338,673

*Includes estimated salaries for union increases for the entire current year.

UNIVERSITY OF MINNESOTA HOSPITALS
PROJECTED STATEMENT OF OPERATIONS
BUDGET YEAR 1976-77

<u>Patient Care Charges</u>	
Routine	\$29,295,896
Ancillary	40,803,378
Pro Fees	691,329
Gross Charges	<u>\$70,790,603</u>
 <u>Deductions from Charges</u>	
Pro Fees Paid	\$ 587,631
Special Duty Nsg.	
3rd Party	168,773
Billing Adj.	
Charitable Care	2,477,671
Other Contract Adj.	
Allow for Uncoll Accts	<u>1,769,765</u>
Total Deductions	<u>\$ 5,003,840</u>
 <u>Other Operating Revenue</u>	
Food Services	\$ 620,612
Powell Hall Motel	245,040
Dept. Non-Patient	102,146
Reference Lab Income	<u>130,000</u>
Total Other Revenue	<u>\$ 1,097,798</u>
Total Revenue from Operations	\$66,884,561
 <u>Expenditures</u>	
Salaries	\$35,990,152
Fringe Benefits	5,826,661
Accrued Vacation	158,983
Academic Contract	1,129,506
Resident Contract	2,375,806
Physicians Compensation	<u>2,840,000</u>
Total Salaries, etc.	<u>48,321,108</u>
Laundry & Linen	1,341,021
Raw Food	1,354,971
Drugs	3,981,207
Blood	1,936,216
Med. Supplies	4,870,571
Utilities	788,716
Insurance	482,000
Campus G & A	2,756,250
Depreciation	1,633,000
General S & E	<u>6,746,240</u>
Total Expenditures	<u>\$74,211,300</u>
Net Revenue	\$(7,326,739)
 <u>Non-Operating Revenue</u>	
Appropriations	\$ 7,582,261
Accrued Int. (Approp)	187,100
Accrued Int. (Reserves)	<u>818,395</u>
Total Non-Operating	<u>\$ 8,587,756</u>
Excess of Revenue over Expense	\$ 1,261,017

UNIVERSITY OF MINNESOTA HOSPITALS
PROJECTED BALANCE SHEET
BUDGET YEAR 1976-77

	June 30			June 30	
	1976	1977		1976	1977
ASSETS			LIABILITIES AND FUND BALANCES		
<u>CURRENT ASSETS</u>			<u>CURRENT LIABILITIES</u>		
Cash Working Fund	\$ 31,845	\$ 31,845	Trade Accounts Payable	\$ 657,629	\$ 765,020
Cash and Investments-Operations	2,765,469	4,547,630	Accrued Salaries and Wages	1,033,090	1,283,471
Cash and Investments-Reserves	3,434,413	302,888	Accrued Vacation Payable	1,700,355	1,859,338
Patient Receivables	16,118,840	18,541,188	Accrued Professional Fees	288,169	329,175
Allow for Uncollect.	(2,820,000)	(3,298,000)	Union Contract Liability	500,000	-0-
Net Patient Receivables	<u>13,298,840</u>	<u>15,243,188</u>	Payables-Third Party	197,186	313,409
			TOTAL CURRENT LIABILITIES	\$ 4,376,429	\$ 4,550,413
Other Receivables	289,500	326,900			
Inventories	<u>1,621,829</u>	<u>1,886,674</u>			
TOTAL CURRENT ASSETS	\$21,441,896	\$22,339,125			
<u>LONG-TERM INVESTMENTS</u>	<u>\$10,530,000</u>	<u>\$ 9,000,000</u>	<u>FUND BALANCES</u>		
<u>PLANT AND EQUIPMENT</u>			Unrestricted:		
Cash and Investments for Construction			Operating	13,631,054	17,485,824
Construction in Progress	27,845,985	31,704,155	Reserve	13,964,413	9,302,888
Buildings and Improvements			Plant	<u>21,219,880</u>	<u>27,836,850</u>
Equipment	11,580,049	15,971,849	Total	\$48,815,347	\$54,625,562
Allowance for Depreciation	(18,206,154)	(19,839,154)	Restricted:		
	<u>\$21,219,880</u>	<u>\$27,836,850</u>	Gift Funds	\$ 612,195	\$ 662,195
<u>RESTRICTED FUNDS</u>			Endowment and Similar Funds	<u>7,986,393</u>	<u>8,605,393</u>
Cash and Investments-Current	1,237,062	1,906,062	Total	\$ 8,598,588	\$ 9,267,588
Cash and Investments-Principal	<u>7,361,526</u>	<u>7,361,526</u>			
	\$ 8,598,588	\$ 9,267,588	TOTAL FUND BALANCES	\$57,413,935	\$63,893,150
TOTAL ASSETS	<u>\$61,790,364</u>	<u>\$68,443,563</u>	TOTAL LIABILITIES AND FUND BALANCES	<u>\$61,790,364</u>	<u>\$68,443,563</u>

UNIVERSITY OF MINNESOTA HOSPITALS
 PROJECTED CAPITAL BUDGETS
 MHA BUDGET YEAR END 6/30/77

	<u>Fiscal</u> <u>77-78</u>	<u>Fiscal</u> <u>78-79</u>
<u>Equipment</u>	\$ 1,900,000	\$2,000,000
<u>Remodeling</u>		
Prior Year Projects	\$ 378,747	\$ 388,178
Current Year Projects	125,000	125,000
Total Remodeling	<u>\$ 503,747</u>	<u>\$ 513,178</u>
<u>Plant Funds</u>		
Nutrition Renovation	\$ 461,377	
<u>Other Major Projects</u>		
BC Redesign	\$ 875,000	
BC-Med. Records, Bus. Off.	1,500,000	
K/E	8,910,000	
Mayo Remodeling	2,000,000	1,000,000
Life Safety Code	400,000	
Total Other	<u>\$13,685,000</u>	<u>\$1,000,000</u>
Total Projected Capital Expenditures	\$16,550,124	\$3,513,178

SUMMARY NEW POSITION REQUESTS
BUDGET YEAR 1976-77

	<u># of Positions</u>	<u>Effective FTE</u>	<u>Total Salaries (at Effective Rates) Jan. 76</u>	<u>Fringe Benefits @ 15.5%</u>	<u>Supplies</u>	<u>Capital Expenditures</u>	<u>Total Expenses</u>	<u>Projected Revenue</u>	<u>Net Cash Flow (In)/Out</u>	<u>Cost Offset</u>
I New Program Areas	30.40	30.40	\$ 330,432	\$ 51,217	\$ 4,929	\$ 53,000	\$ 439,578	\$ 629,145	\$(189,567)	\$ 45,410
II Work Load Increases	51.75	46.42	443,876	68,799	-	-	512,675	1,077,945	(565,270)	-0-
III Scheduled Program Development	11.20	10.05	151,446	23,475	1,124	-	176,045	-	176,045	35,452
IV Enhancement of Existing Programs	22.60	22.60	265,901	41,214	146,400	120,000	573,515	8,140	565,375	21,483
V Compliance Requirements	<u>6.50</u>	<u>6.50</u>	<u>59,249</u>	<u>9,184</u>	<u>2,500</u>	<u>-</u>	<u>70,933</u>	<u>56,196</u>	<u>14,737</u>	<u>7,784</u>
Subtotal	122.45	115.97	\$1,250,904	\$193,889	\$154,953	\$173,000	\$1,772,746	\$1,771,426	\$ 1,320	\$110,129
Nutrition and Environmental Services Changes	(56.19)	(58.40)	(443,537)	(68,748)	-	-	(512,285)	-	(512,285)	
Reclassifications	<u>-</u>	<u>-</u>	<u>11,855</u>	<u>1,838</u>	<u>-</u>	<u>-</u>	<u>13,693</u>	<u>-</u>	<u>13,693</u>	
	66.26	57.57	\$ 819,222	\$126,979	\$154,953	\$173,000	\$1,274,154	\$1,771,426	\$(497,272)	\$110,129

NEW POSITION REQUESTS
BUDGET YEAR 1976-77

1/3

	<u># of Positions</u>	<u>Effective FTE</u>	<u>Total Salaries (at Effective Rates)</u>	<u>Fringe Benefits @ 15.5%</u>	<u>Supplies</u>	<u>Capital Expenditure</u>	<u>Total Expenses</u>	<u>Projected Revenue</u>	<u>Net Cash Flow (In)/Out</u>	<u>Cost Offset</u>
I NEW PROGRAM AREAS										
A. Dialysis Center	2.0	2.0	21,570	3,344			24,914		24,914	
B. Epilepsy Center	12.0	12.0	124,606	19,314	3,879	50,000	197,799	297,832	(100,033)	
C. Bio-Medical Engineering	2.0	2.0	30,379	4,708		3,000	38,087		38,087	25,410
D. Bone Marrow Transplant	9.4	9.4	95,106	14,741			109,847	331,313	(221,466)	
E. Patient Transportation	4.0	4.0	46,656	7,232			53,888		53,888	20,000
F. Personnel Services	<u>1.0</u>	<u>1.0</u>	<u>12,115</u>	<u>1,878</u>	<u>1,050</u>		<u>15,043</u>		<u>15,043</u>	
TOTAL NEW PROGRAMS	<u>30.4</u>	<u>30.4</u>	<u>\$330,432</u>	<u>\$51,217</u>	<u>\$4,929</u>	<u>\$53,000</u>	<u>\$439,578</u>	<u>\$629,145</u>	<u>\$(189,567)</u>	<u>\$45,410</u>
II WORK LOAD INCREASES										
<u>Revenue Producing Centers</u>										
4218-Diagnostic Care-MI	1.5	1.5	10,588	1,641			12,229	60,000	(47,771)	
4267-Childbearing/Childrearing	1.5	1.5	19,106	2,962			22,068	8,000	14,068	
4314-Clinical Psych	.5	.5	5,174	802			5,976	10,546	(4,570)	
-Laboratory & Pathology	30.25	28.00	266,660	41,331			307,991	941,125	(633,134)	
4340-Radiology	6.0	6.0	51,265	7,945			59,210	20,048	39,162	
4342-Therapeutic Radiology	2.0	2.0	20,598	3,193			23,791	38,226	(14,435)	
4380-Outpatient Administration	<u>6.0</u>	<u>3.0</u>	<u>37,310</u>	<u>5,783</u>			<u>43,093</u>		<u>43,093</u>	
Subtotal Revenue Producing	47.75	42.50	\$410,701	\$63,657			\$474,358	\$1,077,945	\$(603,587)	

NEW POSITION REQUESTS
BUDGET YEAR 1976-77

	<u># of Positions</u>	<u>Effective FTE</u>	<u>Total Salaries (at Effective Rates)</u>	<u>Fringe Benefits @ 15.5%</u>	<u>Supplies</u>	<u>Capital Expenditure</u>	<u>Total Expenses</u>	<u>Projected Revenue</u>	<u>Net Cash Flow (In)/Out</u>	<u>Cost Offset</u>
<u>Non-Revenue Producing Centers</u>										
4301-Personnel Services	1.0	1.0	14,733	2,283			17,016		17,016	
4305-Business Office	1.0	1.0	8,979	1,392			10,371		10,371	
4348-Social Services	.50	.50	5,148	798			5,946		5,946	
4361-Transportation & Distr.	1.0	1.0	8,379 (8,379)*	1,299 (1,299)			9,678 (9,678)		9,678 (9,678)	
4362-Volunteer Services	.50	.42	4,315	669			4,984		4,984	
Subtotal Non-Revenue Producing	4.0	3.92	33,175	5,142			38,317	-0-	38,317	
TOTAL WORKLOAD INCREASES	<u>51.75</u>	<u>46.42</u>	<u>\$443,876</u>	<u>\$68,799</u>			<u>\$512,675</u>	<u>\$1,077,945</u>	<u>\$(565,270)</u>	<u>-0-</u>
III SCHEDULED PROGRAM DEVELOPMENT										
4214-Home Health Svc.					1,124		1,124		1,124	
4300-Administration	1.6	1.6	34,562	5,357			39,919		39,919	
4306-Computer Services	.6	.45	4,580	710			5,290		5,290	
4313-Management Services	9.0	8.0	112,304	17,408			129,712		129,712	35,452
TOTAL PROGRAM DEVELOPMENT	<u>11.2</u>	<u>10.05</u>	<u>\$151,446</u>	<u>\$23,475</u>	<u>\$1,124</u>		<u>\$176,045</u>		<u>\$176,045</u>	<u>\$35,452</u>
IV ENHANCEMENT OF EXISTING PROGRAMS										
4214-Home Health	.5	.5	5,832	904			6,736		6,736	

NEW POSITION REQUESTS
BUDGET YEAR 1976-77

3/3

	<u># of Positions</u>	<u>Effective FTE</u>	<u>Total Salaries (at Effective Rates)</u>	<u>Fringe Benefits @ 15.5%</u>	<u>Supplies</u>	<u>Capital Expenditure</u>	<u>Total Expenses</u>	<u>Projected Revenue</u>	<u>Net Cash Flow (In)/Out</u>	<u>Cost Offset</u>
4300-Administration	1.0	1.0	20,170	3,126		100,000	123,296		123,296	
4301-Personnel Services	2.0	2.0	19,654	3,046			22,700		22,700	
4303-Medical Records					120,000	20,000	140,000		140,000	
4305-Business Office	1.0	1.0	18,600	2,883			21,483		21,483	21,483
4312-Anesthesiology	1.0	1.0	22,500	3,488			25,988		25,988	
4346-Pharmacy	8.6	8.6	96,110	14,897			111,007		111,007	
4363-Public Relations					24,400		24,400		24,400	
4364-Protection Services	4.0	4.0	40,000	6,200	2,000		48,200		48,200	
4394-Rehab Center	4.5	4.5	43,035	6,670			49,705	8,140	41,565	
TOTAL ENHANCEMENT	22.6	22.6	\$265,901	\$41,214	\$146,400	\$120,000	\$573,515	\$8,140	\$565,375	\$21,483
V COMPLIANCE REQUIREMENTS										
4303-Medical Records	2.0	2.0	20,643	3,200			23,843		23,843	
4305-Business Office	1.5	1.5	13,469	2,088			15,557		15,557	
4340-Radiology	1.0	1.0	9,579	1,485			11,064		11,064	7,784
4346-Pharmacy	2.0	2.0	15,558	2,411	2,500		20,469	56,196	(35,727)	
TOTAL COMPLIANCES	6.5	6.5	59,249	9,184	2,500		70,933	56,196	(14,737)	7,784
NET POSITION REQUESTS 4/6/76	<u>122.45</u>	<u>115.97</u>	<u>\$1,250,904</u>	<u>\$193,889</u>	<u>\$154,953</u>	<u>\$173,000</u>	<u>\$1,772,746</u>	<u>\$1,771,426</u>	<u>\$ 1,320</u>	<u>\$110,129</u>

UNIVERSITY OF MINNESOTA HOSPITALS

SUMMARY ANALYSIS

Exhibit I

- A. The institution is requesting a 9.3% increase in patient charges due to price. This price increase will result in \$5,996,460 in additional revenues. When the change in volume is applied to this price increase, an increase of 14.0% in patient revenue results. This increase in patient revenue due to volume and price may be a result of rate increases which occurred within the current year and changes in patient mix. The budgeted 2.5% increase in patient days also affects the total patient revenue.
- B. The institution has no comparative group.
- C. The institution's unadjusted cost per stay * (column A-2, lines 2, 3 and 4) increased 13.1% in the current year and 10.5% for the budget year, which is an average compound rate of 11.8% for the two years. Examples of cost indexes for the current and budget years are footnoted on this exhibit.
- D. The hospital's average length of stay has remained constant at 10.41 days. Occupancy percentage (line 12) based on licensed beds increased from 68.4% to 71.0% from the prior to the current year and is projected to increase slightly to 72.7%.

Exhibit II

The prior, current and budget years' financial statements are provided for your information. Capital expenditures are budgeted at \$8,249,970, up from the current year amount of \$1,729,681.

- * Cost per stay (unadjusted) is calculated by taking line 21 on MRR Form A and dividing it by total patient days and then multiplying it by average length of stay.

Exhibit III with Form A Attached

- A. Salaries expense on Form A, line 1, increased by 10.7% in the budget year. Also, Raw Food (line 4), Medical Supplies (line 6) and Other Expenses (line 15) are budgeted to increase 34.3%, 17.4% and 28.7%, respectively.
- B. When analyzing percentage increases in column F on Form A, note that patient days have increased by 2.5% in the budget year.
- C. The institution is requesting a rate increase that would result in total patient charges' being equal to 90.6% of total financial requirements (line 28).

Exhibit IV

- A. Liquidity ratios (lines 2 and 3) decreased slightly in the current year and indicate that the institution has an excellent current position.
- B. The number of days' charges in total patient receivables (line 6) decreased from 99.9 days in the prior year to 95.0 days in the current year. The budget year amount is expected to be similar to that of the current year.
- C. Leverage ratios indicate that the institution is financed largely by funds other than debt.
- D. Full time equivalents per patient day (line 18) decreased from 5.48 FTEs in the prior year to 5.41 FTEs in the budget year. (See Schedule D II, which follows MRR Form D, for details on the budget year FTE additions.)

Conclusion

- A. The institution's cost per stay has increased at an average rate of 11.8% for the two years.
- B. The institution is requesting a 9.3% increase in patient charges due to price. This would result in total patient charges' being equal to 90.6% of total financial requirements.

EXHIBIT I

UNIVERSITY OF MINNESOTA HOSPITALS
MINNEAPOLIS

University of Minnesota, an acute hospital of 817 beds, with an attached C&NC unit of 0 beds, is requesting an increase of 9.3% in patient charges due to price. When applied to projected volume a 14.0% increase in patient revenue results. The institution expects a 13.1% increase in cost per stay for the current year and projects a 10.5% increase for the budget year.

		A-1 ADJUSTED HOSPITAL	A-2 UNADJUSTED HOSPITAL	B NATIONAL	C REGIONAL
1	COST PER STAY				
2	Prior Year	2,532.69	2,850.25	#	#
3	Current Year	2,858.42	3,223.67	**	**
4	Budget Year	3,156.68	3,561.03	**	**
5					
6	PATIENT REVENUE MIX (Prior Year)				
7	Inpatient Percentage		88.9	#	#
8	Outpatient Percentage		11.1	#	#

Note: This institution has no comparative group.

		A PRIOR YEAR	B CURRENT YEAR	C BUDGET YEAR
9	Cost Per Day (Unadjusted)	273.80	309.67	342.08
10	Cost Per Day (Adjusted)	243.29	274.58	303.24
11	Average Length of Stay	10.41	10.41	10.41
12	Occupancy Percentage	68.4	71.0	72.7

** Cost per stay figures are not available for national and regional comparative groups for the current and budget years. Examples of changes in cost for these two years are as follows:

	1975	1976
CPI	7.5	6.4*
WPI	10.4	5.3*
Food	19.4	6.8*
Labor Settlements	10.2	--
Hospital Costs	17.4*	--

* estimated

Source: Bureau of Labor Statistics, American Hospital Assoc., & Chase Econometrics

AS A PERCENTAGE OF TOTAL FINANCIAL REQUIREMENTS

UNIVERSITY OF MINNESOTA HOSPITALS

	A % Prior Year	B % Current Year	C % Budget Year
1 Salaries	53.4	51.2	46.1
2 Employee Benefits	7.4	7.8	7.5
3 Fees (Medical)	4.0	3.9	3.6
4 Raw Food	1.6	1.6	1.7
5 Drugs	5.3	5.8	5.1
6 Medical Supplies	5.3	6.5	6.2
7 Campus G and A	4.7	4.1	3.5
8 Utilities	.9	1.1	1.0
9 Repairs and Maintenance	1.2	1.0	.9
10 Equipment Rental	.7	.7	.6
11 Insurance	.6	.5	.6
12 Interest Expense	>.1	-	-
13 Building Depreciation	1.6	1.3	1.1
14 Equipment Depreciation	1.1	1.1	.9
15 Other Expense	8.6	6.8	7.1
15 Academic Contract	1.8	1.7	1.4
16 Resident Contract	2.4	3.5	3.0
16 Accrued Vacation/Time Back	.7	.3	.2
17 Laundry	1.9	1.9	1.7
17 Blood	2.5	2.4	2.5
18 Sub Total	105.8	103.3	95.0
19 Price Level Depreciation Adjust - Bldg.	.9*	.9*	.9
20 Price Level Depreciation Adjust - Equip.	.2*	.2*	.2
21 Working Capital Requirement	1.9*	1.9*	2.7
22 Allowances And Uncollectible Accounts	5.9	6.8	6.4
23 Less Other Operating Revenue - Net	(2.5)	(1.8)	(1.4)
24 Less NonOperating Revenue - Net	(12.2)	(11.3)	(3.9)
25 Less Non-Covered Requirements			
26 Total Financial Requirements	100.0	100.0	100.0
27 * Estimates			
28 Total Patient Charges	97.6	97.9	90.6

EXHIBIT IV
FINANCIAL RATIOS

	UNIVERSITY OF MINNESOTA HOSPITALS, MINNEAPOLIS	A PRIOR YEAR	B CURRENT YEAR	C BUDGET YEAR
1	LIQUIDITY RATIOS			
2	Current Ratio	5.50	4.90	4.90
3	Quick Ratio	5.06	4.53	4.50
4				
5	ACTIVITY RATIOS			
6	No. Days Charges in Total Patient Receivables	99.98	95.00	95.60
7	No. Days Charges in Uncollectible Accounts	17.00	16.62	17.00
8	Inventory Turnover	38.86	38.29	37.52
9				
10	LEVERAGE RATIOS			
11	Debt to Total Assets	6.30%	8.23%	7.68%
12	Debt to Equity	6.73%	8.97%	8.32%
13				
14	OTHER OPERATING RATIOS			
15	Salaries	\$29,810,049	\$34,887,407	\$38,524,941
16	Full Time Equivalent	3,061.96	3,140.20	3,209.26
17	Full Time Equivalent Salary Value	\$9,736	\$11,110	\$12,004
18	Full Time Equivalent/Patient	5.48	5.42	5.41