



University of Iowa Health Care

*Presentation to
The Board of Regents, State of Iowa
February 3, 2010*

Agenda

- Opening Remarks
- UI Hospitals and Clinics Report
- Iowa River Landing



Volume and Financial Performance

Ken Kates, Chief Executive Officer
UI Hospitals & Clinics

Ken Fisher, Associate Vice President for Finance
And Chief Financial Officer, UI Health Care

Volume Indicators

July through December 2009



Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Discharges	14,657	15,099	14,801	(442)	-2.9% ●	(144)	-1.0% ○
Patient Days	91,146	100,539	98,350	(9,393)	-9.3% ●	(7,206)	-7.3% ●
Length of Stay	6.18	6.75	6.64	(0.57)	-8.4% ●	(0.46)	-6.9% ●
Average Daily Census	495.36	546.41	534.51	(51.05)	-9.3% ●	(39.15)	-7.3% ●
Surgeries – Inpatient	5,522	5,984	5,492	(462)	-7.7% ●	30	0.5% ○
Surgeries – Outpatient	6,953	5,959	6,418	994	16.7% ●	535	8.3% ●
Emergency Treatment Center Visits	26,119	24,902	24,028	1,217	4.9% ●	2,091	8.7% ●
Outpatient Clinic Visits	379,856	373,537	366,057	6,319	1.7% ○	13,799	3.8% ●
Case Mix	1.7894	1.8399	1.8345	(0.0505)	-2.7%	(0.0451)	-2.5%
Medicare Case Mix	1.9954	2.0295	2.0163	(0.0341)	-1.7%	(0.0209)	-1.0%

● Greater than 2.5% Favorable	○ Neutral	● Greater than 2.5% Unfavorable
-------------------------------	-----------	---------------------------------

Discharges by Type

July through December 2009



Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Adult Medical	4,862	4,970	4,854	(108)	-2.2% ○	8	0.2% ○
Adult Surgical	6,603	6,894	6,921	(291)	-4.2% ●	(318)	-4.6% ●
Adult Psych	863	943	874	(80)	-8.5% ●	(11)	-1.3% ○
<i>Subtotal – Adult</i>	<i>12,328</i>	<i>12,807</i>	<i>12,649</i>	<i>(479)</i>	<i>-3.7% ●</i>	<i>(321)</i>	<i>-2.5% ●</i>
Pediatric Medical	1,594	1,580	1,462	14	0.9% ○	132	9.0% ●
Pediatric Surgical	82	83	90	(1)	-1.2% ○	(8)	-8.9% ●
Pediatric Critical Care	415	396	397	19	4.8% ●	18	4.5% ●
Pediatric Psych	238	233	203	5	2.2% ○	35	17.4% ●
<i>Subtotal – Pediatrics w/o newborn</i>	<i>2,329</i>	<i>2,292</i>	<i>2,152</i>	<i>37</i>	<i>1.6% ○</i>	<i>177</i>	<i>8.2% ●</i>
Newborn	653	662	673	(9)	-1.4% ○	(20)	-3.0% ●
TOTAL w/o Newborn	14,657	15,099	14,801	(442)	-2.9% ●	(144)	-1.0% ○

●	○	●
Greater than 2.5% Favorable	Neutral	Greater than 2.5% Unfavorable

Discharge Days by Type

July through December 2009



Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Adult Medical	27,604	29,834	28,398	(2,230)	-7.5% ●	(794)	-2.8% ●
Adult Surgical	33,202	39,842	38,588	(6,640)	-16.7% ●	(5,386)	-14.0% ●
Adult Psych	10,133	10,338	9,897	(205)	-2.0% ○	236	2.4% ○
<i>Subtotal – Adult</i>	<i>70,939</i>	<i>80,014</i>	<i>76,883</i>	<i>(9,075)</i>	<i>-11.3% ●</i>	<i>(5,944)</i>	<i>-7.7% ●</i>
Pediatric Medical	7,158	8,227	8,323	(1,069)	-13.0% ●	(1,165)	-14.0% ●
Pediatric Surgical	665	783	674	(118)	-15.1% ●	(9)	-1.3% ○
Pediatric Critical Care	10,199	10,679	10,340	(480)	-4.5% ●	(141)	-1.4% ○
Pediatric Psych	1,606	2,176	2,044	(570)	-26.2% ●	(438)	-21.4% ●
<i>Subtotal – Pediatrics w/o newborn</i>	<i>19,628</i>	<i>21,865</i>	<i>21,381</i>	<i>(2,237)</i>	<i>-10.2% ●</i>	<i>(1,753)</i>	<i>-8.2% ●</i>
Newborn	1,454	1,497	1,592	(43)	-2.9% ●	(138)	-8.7% ●
TOTAL w/o Newborn	90,567	101,879	98,264	(11,312)	-11.1% ●	(7,697)	-7.8% ●

 Greater than 2.5% Favorable
  Neutral
  Greater than 2.5% Unfavorable

Average Length of Stay by Type

July through December 2009



Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Adult Medical	5.68	6.00	5.85	(0.32)	-5.3% ●	(0.17)	-2.9% ●
Adult Surgical	5.03	5.78	5.58	(0.75)	-13.0% ●	(0.55)	-9.9% ●
Adult Psych	11.74	10.96	11.32	0.78	7.2% ●	0.42	3.7% ●
Subtotal – Adult	5.75	6.25	6.08	(0.50)	-8.0% ●	(0.33)	-5.4% ●
Pediatric Medical	4.49	5.21	5.69	(0.72)	-13.8% ●	(1.20)	-21.1% ●
Pediatric Surgical	8.11	9.42	7.49	(1.31)	-13.9% ●	0.62	8.3% ●
Pediatric Critical Care	24.58	26.94	26.05	(2.36)	-8.8% ●	(1.47)	-5.6% ●
Pediatric Psych	6.75	9.33	10.07	(2.58)	-27.7% ●	(3.32)	-33.0% ●
Subtotal – Pediatrics w/o newborn	8.43	9.54	9.94	(1.11)	-11.6% ●	(1.51)	-15.2% ●
Newborn	2.23	2.26	2.37	(0.03)	-1.3% ○	(0.14)	-5.9% ●
TOTAL w/o Newborn	6.18	6.75	6.64	(0.57)	-8.4% ●	(0.46)	-6.9% ●

 Greater than 2.5% Favorable
  Neutral
  Greater than 2.5% Unfavorable

Outpatient Surgeries – by Clinical Department

July through December 2009



Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Cardiothoracic	39	27	36	12	44.4% ●	3	8.3% ●
Dentistry	312	223	280	89	39.9% ●	32	11.4% ●
Dermatology	26	22	23	4	18.2% ●	3	13.0% ●
General Surgery	1,028	766	881	262	34.2% ●	147	16.7% ●
Gynecology	361	307	324	54	17.5% ●	37	11.4% ●
Internal Medicine	5	3	1	2	66.7% ●	4	400.0% ●
Neurosurgery	223	126	152	97	77.0% ●	71	46.7% ●
Ophthalmology	1,598	1,555	1,686	43	2.8% ●	(88)	-5.2% ●
Orthopedics	1,710	1,395	1,420	315	22.6% ●	290	20.4% ●
Otolaryngology	1,057	878	949	179	20.4% ●	108	11.4% ●
Pediatrics	2	2	2	0	0.0% ○	0	0.0% ○
Radiology – Interventional	28	5	0	23	460.0% ●	28	100.0% ●
Urology w/ Procedure Ste.	564	650	664	(86)	-13.2% ●	(100)	-15.1% ●
Total	6,953	5,959	6,418	994	16.7% ●	535	8.3% ●

●	○	●
Greater than 2.5% Favorable	Neutral	Greater than 2.5% Unfavorable

Inpatient Surgeries – by Clinical Department

July through December 2009



Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Cardiothoracic	598	588	507	10	1.7% ○	91	18.0% ●
Dentistry	59	86	75	(27)	-31.4% ●	(16)	-21.3% ●
General Surgery	1,287	1,491	1,388	(204)	-13.7% ●	(101)	-7.3% ●
Gynecology	436	462	389	(26)	-5.6% ●	47	12.1% ●
Neurosurgery	873	893	888	(20)	-2.2% ○	(15)	-1.7% ○
Ophthalmology	50	93	84	(43)	-46.2% ●	(34)	-40.5% ●
Orthopedics	1,400	1,514	1,414	(114)	-7.5% ●	(14)	0.9% ○
Otolaryngology	336	428	380	(92)	-21.5% ●	(44)	-11.6% ●
Pediatrics	0	1	0	(1)	-100.0% ●	0	0.0% ○
Radiology – Interventional	144	37	0	107	289.2% ●	144	100.0% ●
Urology w/ Procedure Ste.	339	391	367	(52)	-13.3% ●	(28)	-7.6% ●
Total	5,522	5,984	5,492	(462)	-7.7% ●	30	-0.6% ○

●	○	●
Greater than 2.5% Favorable	Neutral	Greater than 2.5% Unfavorable

Emergency Treatment Center

July through December 2009



Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
ETC Visits	26,119	24,902	24,028	1,217	4.9% ●	2,091	8.7% ●
ETC Admits	6,569	6,760	6,438	(191)	-2.8% ●	131	2.0% ○
Conversion Factor	25.2%	27.1%	26.8%		-7.4% ●		-6.1% ●
ETC Admits / Total Admits	45.0%	44.8%	43.8%		0.4% ○		2.7% ●

●	○	●
Greater than 2.5% Favorable	Neutral	Greater than 2.5% Unfavorable

Clinic Visits by Clinical Department

July through December 2009



Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Anesthesia	8,023	7,448	7,060	575	7.7% ●	963	13.6% ●
CDD	3,617	3,585	3,906	32	0.9% ○	(289)	-7.4% ●
Clinical Research	6,432	4,227	3,633	2,205	52.2% ●	2,799	77.0% ●
Dermatology	12,780	12,502	12,456	278	2.22% ○	324	2.6% ●
ETC	26,119	24,902	24,028	1,217	4.9% ●	2,091	8.7% ●
Employee Health Clinic	7,301	8,291	8,643	(990)	-11.9% ●	(1,342)	-15.5% ●
Family Care Center	50,360	50,548	49,441	(188)	-0.4% ○	919	1.9% ○
General Surgery	14,310	13,484	13,247	826	6.1% ●	1,063	8.0% ●
Hospital Dentistry	6,130	4,826	11,461	1,304	27.0% ●	(5,331)	-46.5% ●
Internal Medicine	59,596	57,911	55,471	1,685	2.9% ●	4,125	7.4% ●
Iowa Care Clinic	8,420	7,519	7,398	901	12.0% ●	1,022	13.8% ●
Neurology	8,884	8,527	7,894	357	4.2% ●	990	12.5% ●
Neurosurgery	4,759	4,624	4,568	135	2.9% ●	191	4.2% ●
Obstetrics/Gynecology	37,965	36,365	34,359	1,600	4.4% ●	3,606	10.5% ●
Ophthalmology	33,168	36,778	34,167	(3,610)	-9.8% ●	(999)	-2.9% ●
Orthopedics	28,212	27,337	26,275	875	3.2% ●	1,937	7.4% ●
Otolaryngology	13,692	14,231	13,910	(539)	-3.8% ●	(218)	-1.6% ○
Pediatrics	19,945	19,692	19,094	253	1.3% ○	851	4.5% ●
Psychiatry	20,601	21,145	19,591	(544)	-2.6% ●	1,010	5.2% ●
Thoracic – Cardio Surgery	1,406	1,362	1,252	44	3.2% ●	154	12.3% ●
Urology	7,874	7,941	7,930	(67)	-0.8% ○	(56)	-0.7% ○
Other	262	293	273	(31)	-10.6% ●	(11)	-4.0% ●
Total	379,856	373,538	366,057	6,318	1.7% ○	13,799	3.8% ●



Greater than 2.5% Favorable

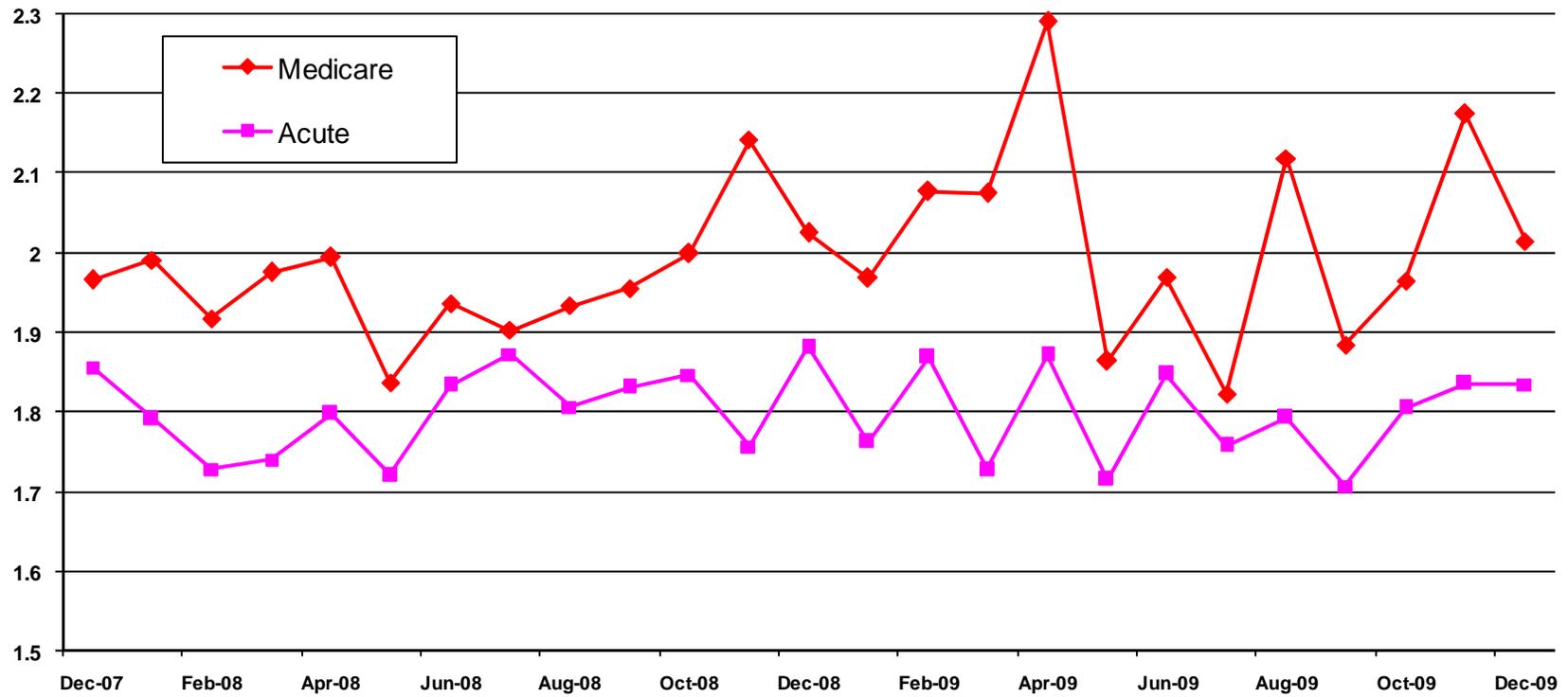


Neutral



Greater than 2.5% Unfavorable

Case Mix Index



UIHC Comparative Financial Results

Fiscal Year to Date December 2009



NET REVENUES:	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Patient Revenue	\$446,267	\$453,811	\$444,906	(\$7,544)	-1.7%	\$1,361	0.3%
Appropriations	-	-	3,509	-	0.0%	(3,509)	-100.0%
Other Operating Revenue	22,901	24,343	22,705	(1,442)	-5.9%	196	0.9%
Total Revenue	\$469,168	\$478,154	\$471,120	(\$8,986)	-1.9%	(\$1,952)	-0.4%

EXPENSES:

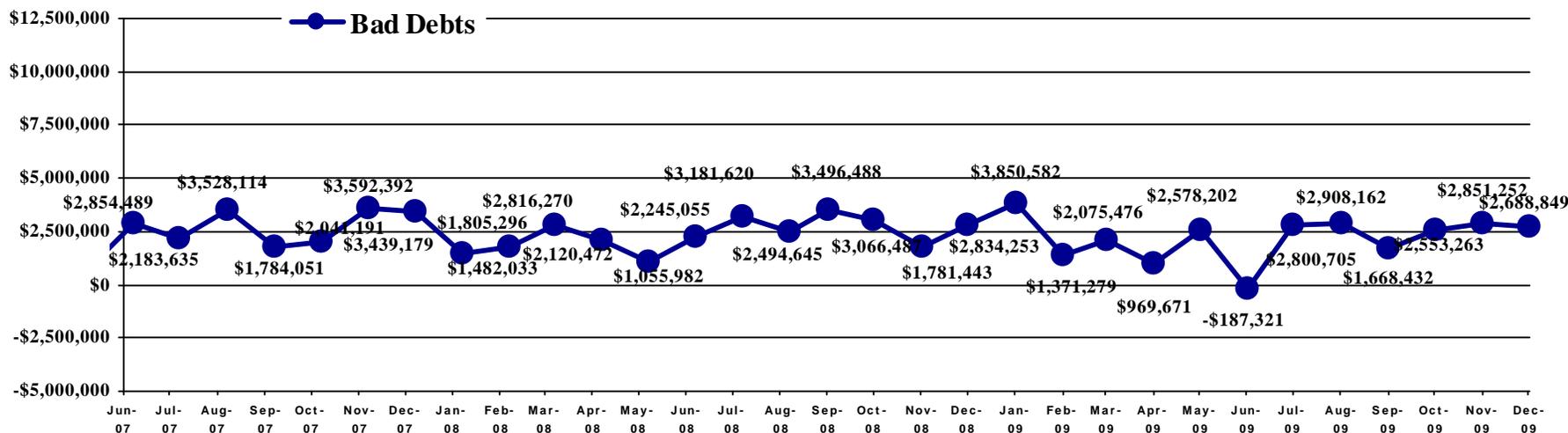
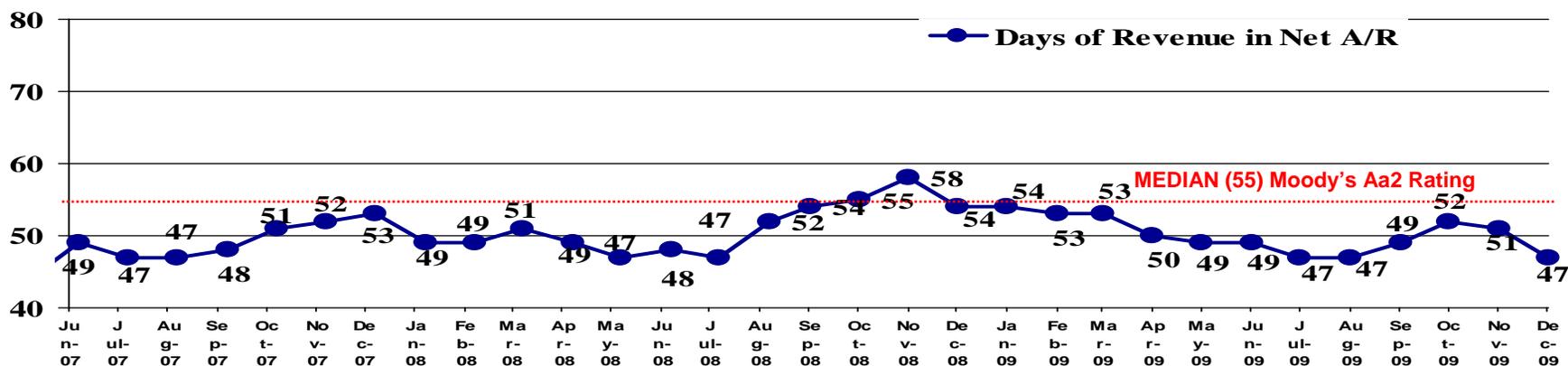
Salaries and Wages	\$233,618	\$242,182	\$254,930	(\$8,564)	-3.5%	(\$21,312)	-8.4%
General Expenses	186,604	194,580	185,373	(7,976)	-4.1%	1,231	0.7%
Operating Expense before Capital	\$420,222	\$436,762	\$440,303	(\$16,540)	-3.8%	(\$20,081)	-4.6%
Cash Flow Operating Margin	\$48,946	\$41,392	\$30,817	\$7,554	18.3%	\$18,129	58.8%
Capital- Depreciation and Amortization	36,906	38,183	34,571	(1,277)	-3.3%	2,335	6.8%
Total Operating Expense	\$457,128	\$474,945	\$474,874	(\$17,817)	-3.8%	(\$17,746)	-3.7%

Operating Income	\$12,040	\$3,209	(\$3,754)	\$8,831	275.2%	\$15,794	420.7%
Operating Margin %	2.6%	0.7%	-0.8%		1.9%		3.4%
Gain (Loss) on Investments	22,009	5,195	(8,073)	16,814	323.7%	30,082	372.6%
Other Non-Operating	(2,413)	(2,555)	(2,197)	142	5.6%	(216)	-9.8%
Net Income	\$31,636	\$5,849	(\$14,024)	\$25,787	440.9%	\$45,660	325.6%
Net Margin %	6.4%	1.2%	-3.0%		5.2%		9.4%

Comparative Accounts Receivable at December 31, 2009



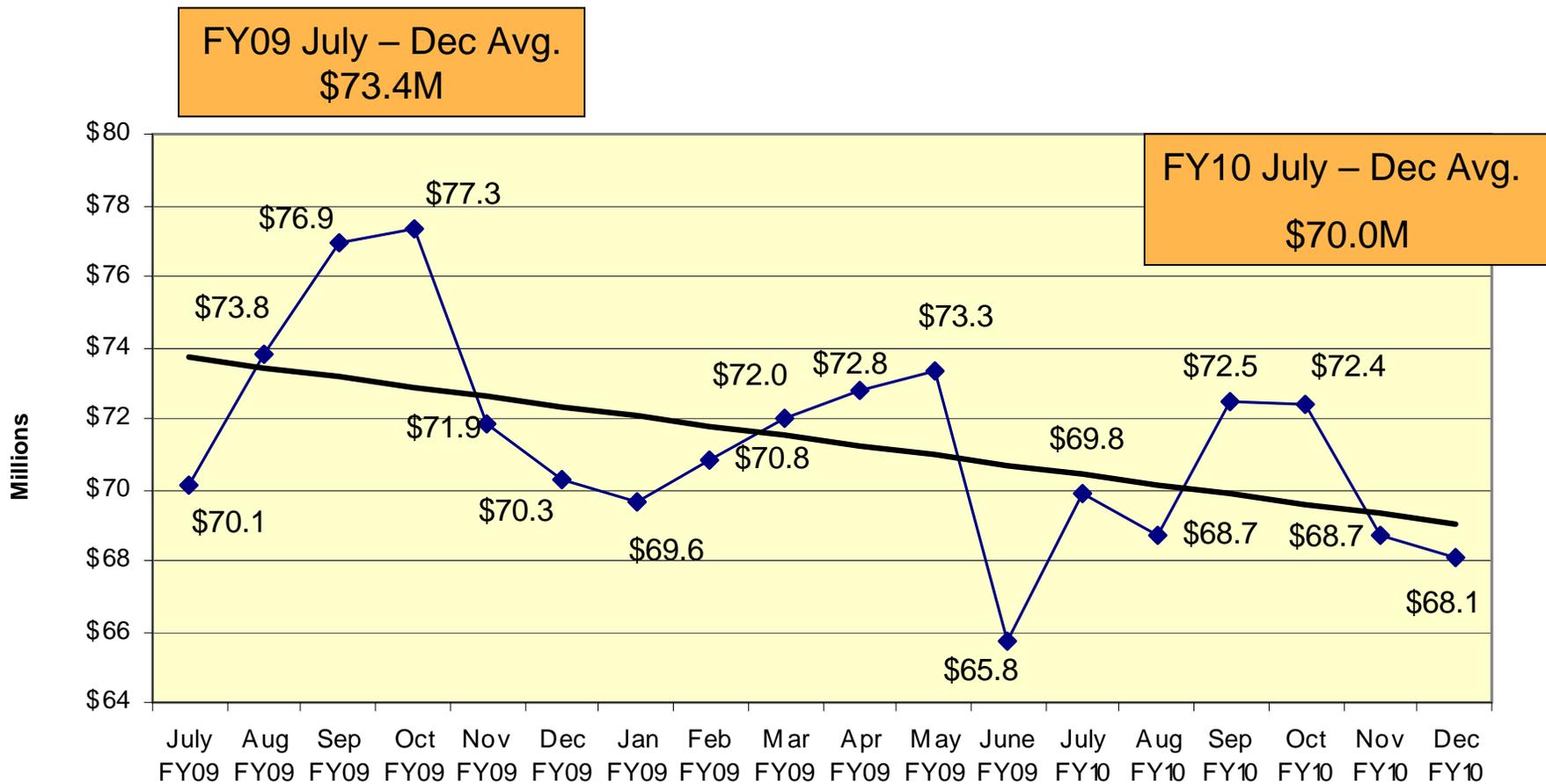
	June 30, 2008	June 30, 2009	December 31, 2009
Net Accounts Receivable	\$111,208,325	\$121,515,935	\$116,395,409
Net Days in AR	48	49	47



Total Operating Expenses



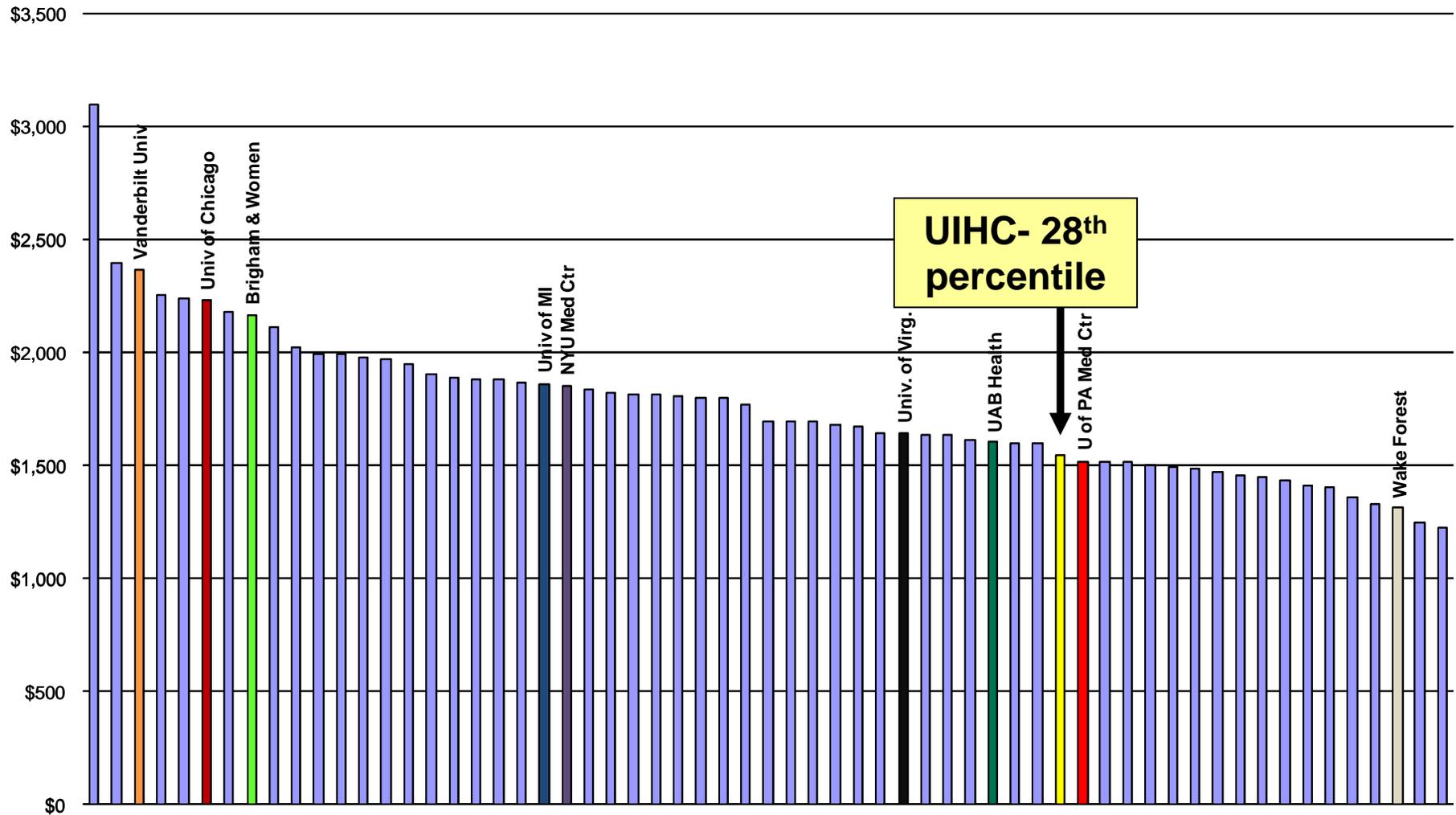
Operating expenses continue to trend downward. Year-to-date they have decreased from the prior year by 5%, or roughly \$3.4 million per month.



Total Expenses (Wage Adjusted, Excluding Providers) per CMI Weighted Adjusted Patient Day - Peer Benchmark Ranking



Compared to peer institutions, UIHC's benchmark performance for total expenses improved from the 33rd percentile in Q1 2009, to the 28th percentile in Q3 2009.

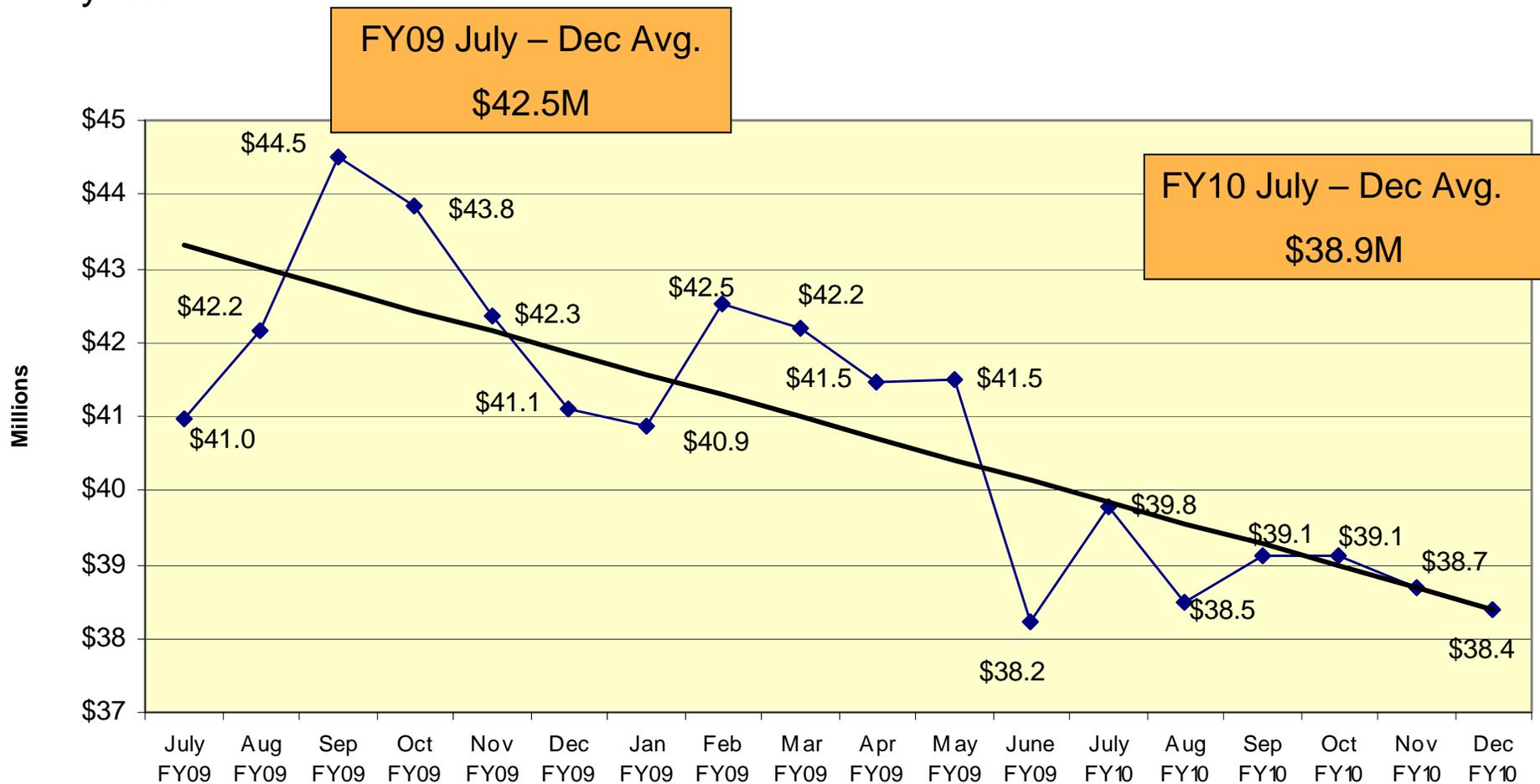


SOURCE: Action OI Database, 2009 Q3

Salary and Benefit Expenses



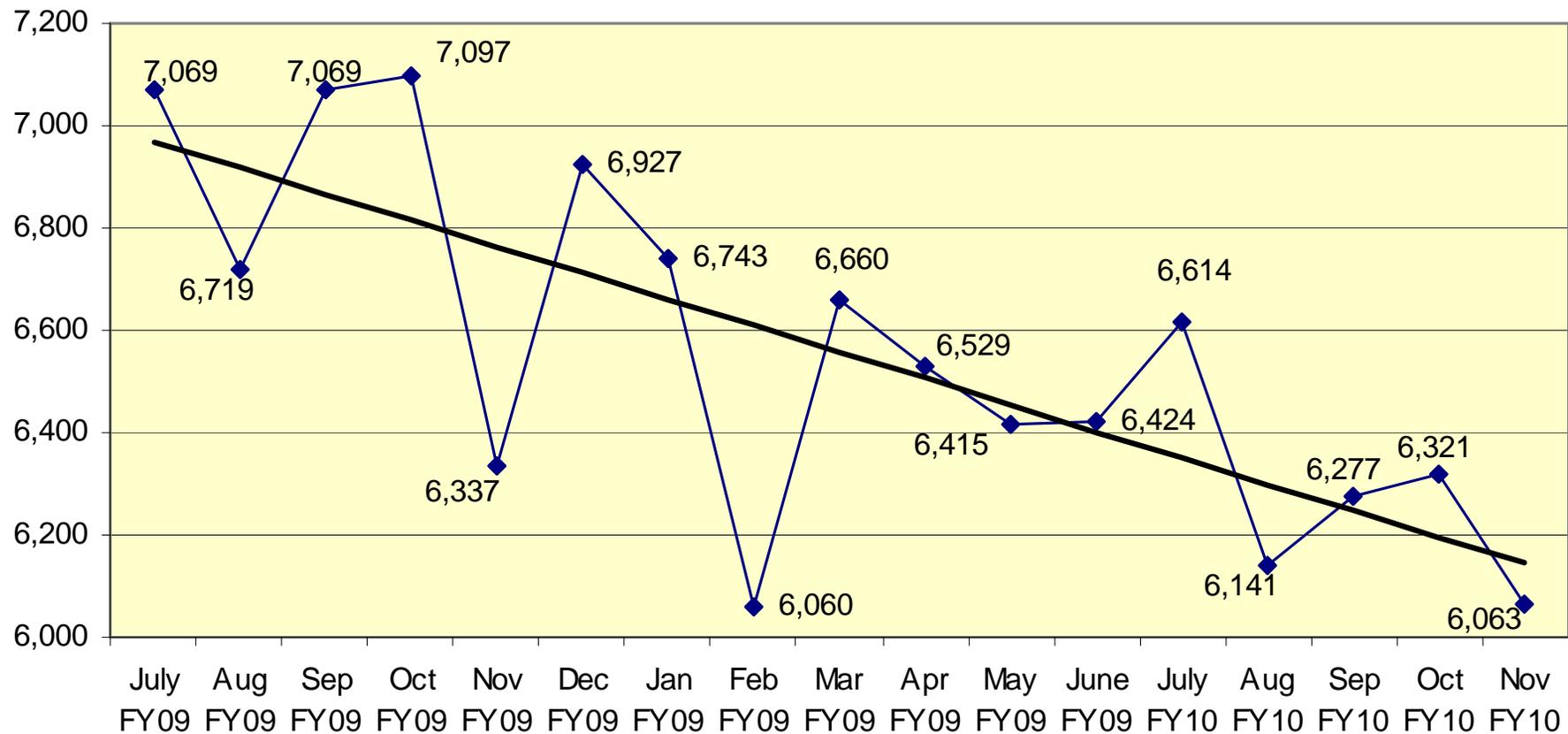
Salary and benefit expenses continue to decline as we focus on improving staff productivity. Salary and benefit expenses averaged \$42.5 million per month during the first six months of last fiscal year, compared to \$38.9 million this fiscal year.



Paid FTEs



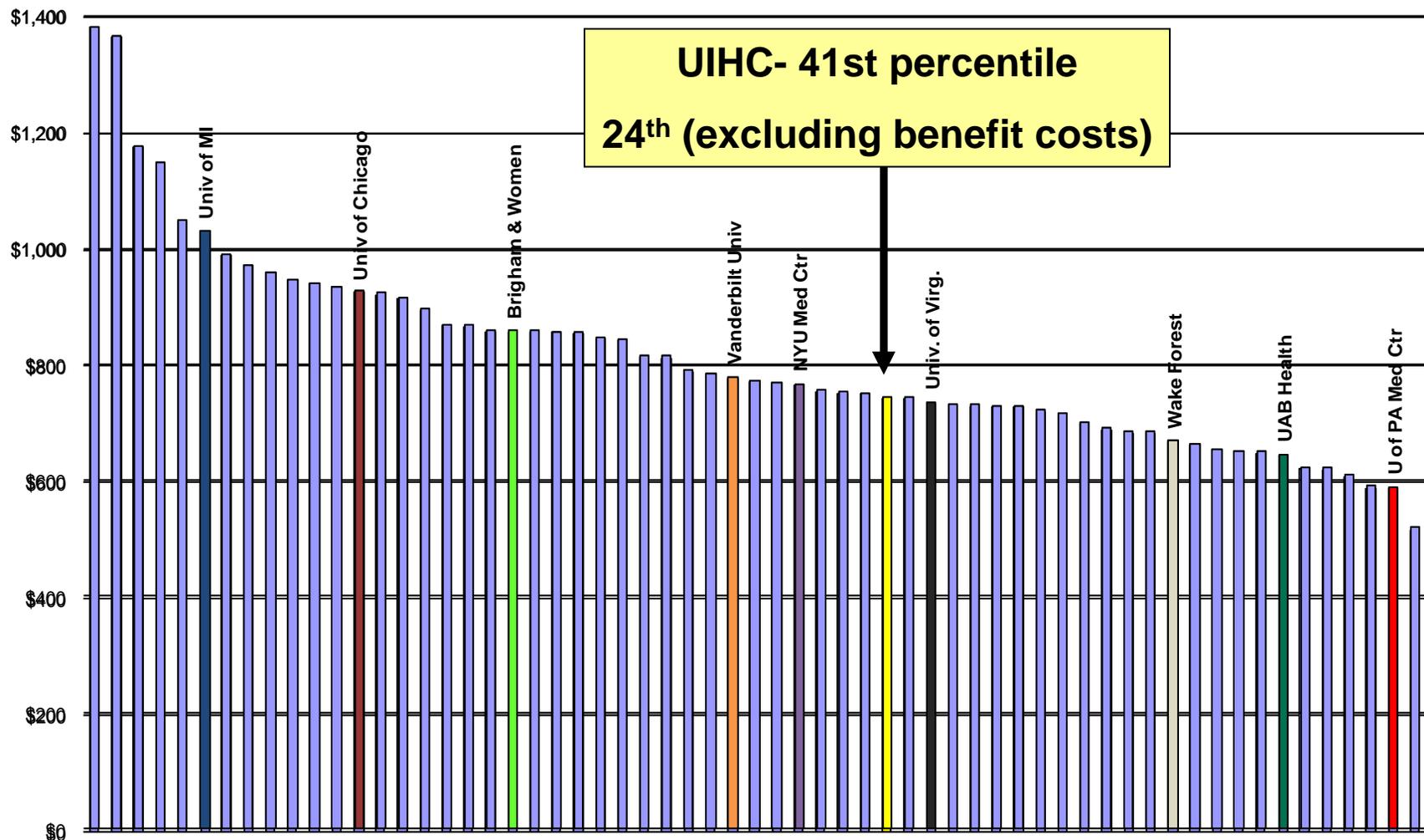
FTEs have been reduced as UIHC staff have been redistributed to areas within the enterprise based upon activity and staffing needs.



Total Labor Expense per CMI Weighted Adjusted Pt Day - Peer Benchmark Ranking



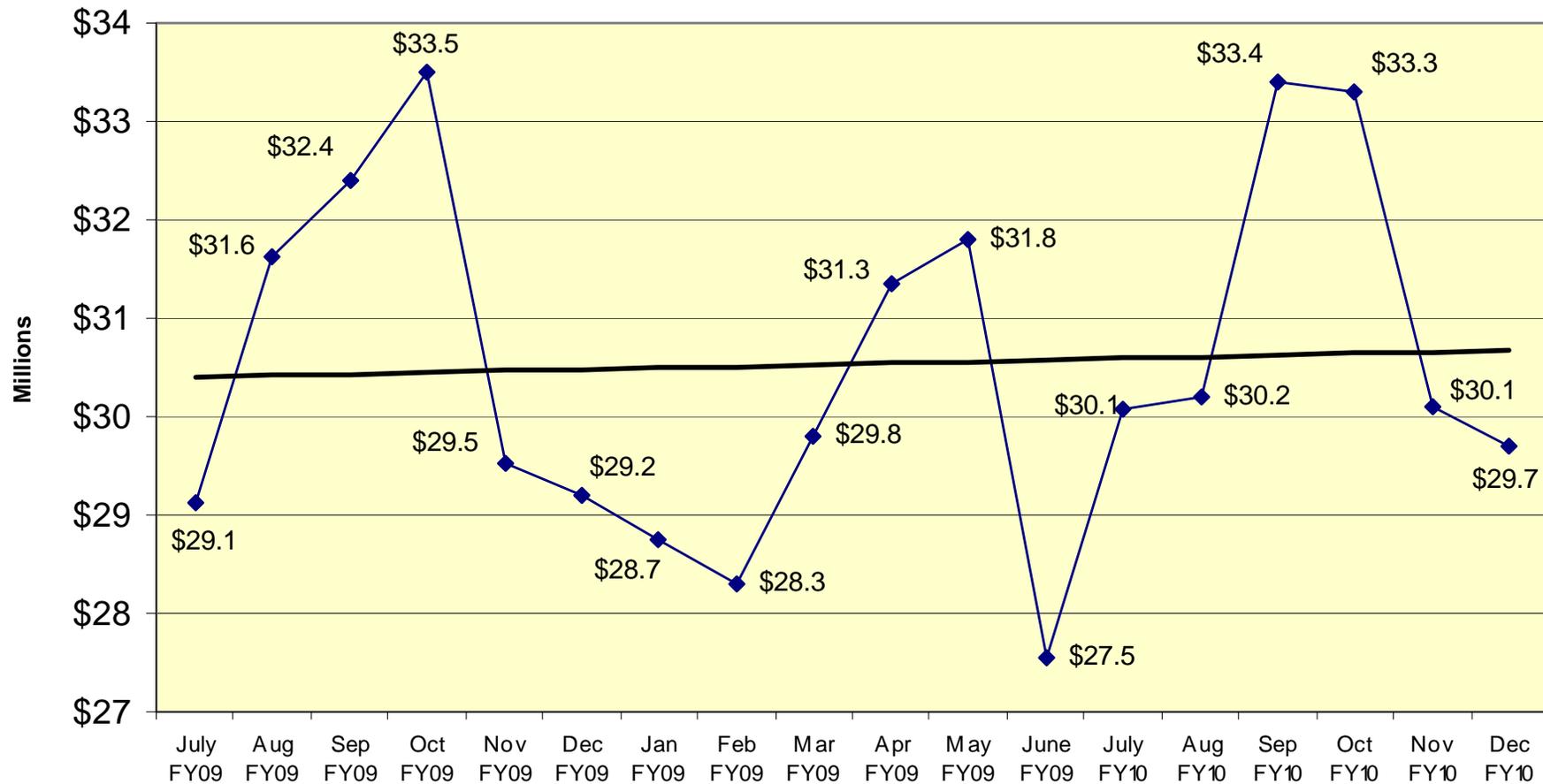
UIHC's benchmark performance for labor costs compared to peer institutions improved to the 41st percentile for Q3 2009 compared to the 59th percentile in Q1 2009.



SOURCE: Action OI Database, 2009 Q3

Other Operating Expenses

Non-labor expenses have increased less than 1% over last fiscal year.



Supply Chain Management Example

- Currently engaged in over 200 supply chain projects
- Completed projects estimated at \$4.8 million in annual savings for FY10
- Annualized savings of \$7.7 million achieved in the last 17 months

EXAMPLE:
Successful Collaboration on Hips
Orthopaedic Physicians, Administration and Procurement Team

ARTIFICIAL HIP SYSTEM



Old average price per system:

\$13,160

New average price per system

\$ 8,253

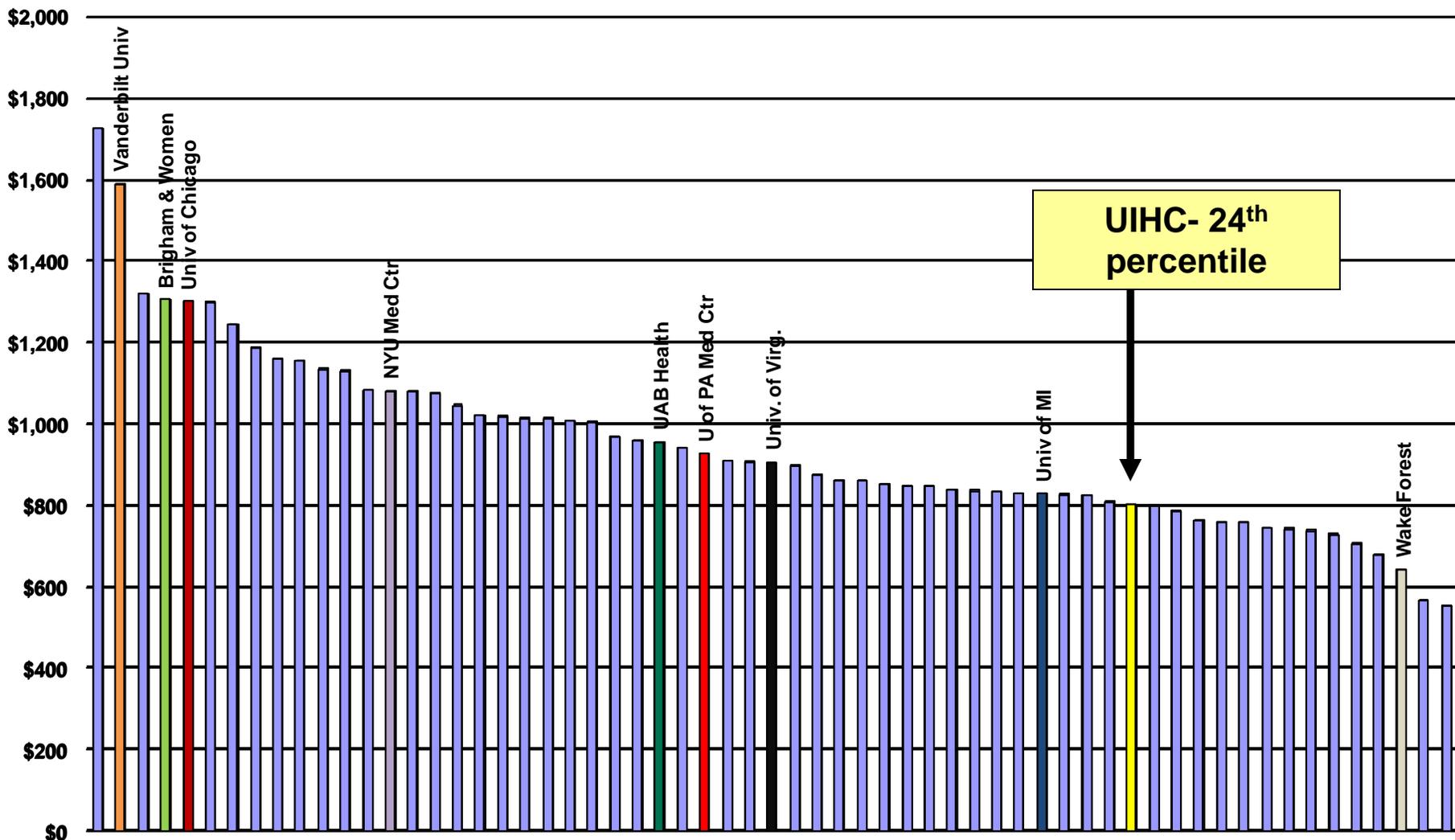
37% savings

Estimated Annual Savings Implemented: \$156,000

Total Non-labor Expense per CMI Weighted Adjusted Patient Day - Peer Benchmark Ranking



UIHC continues to perform well in non-labor expenses compared to peer institutions. Between Q1 and Q3 of 2009, UIHC has ranged from the 15th to 24th percentile, indicating strong performance in non-labor expenses.

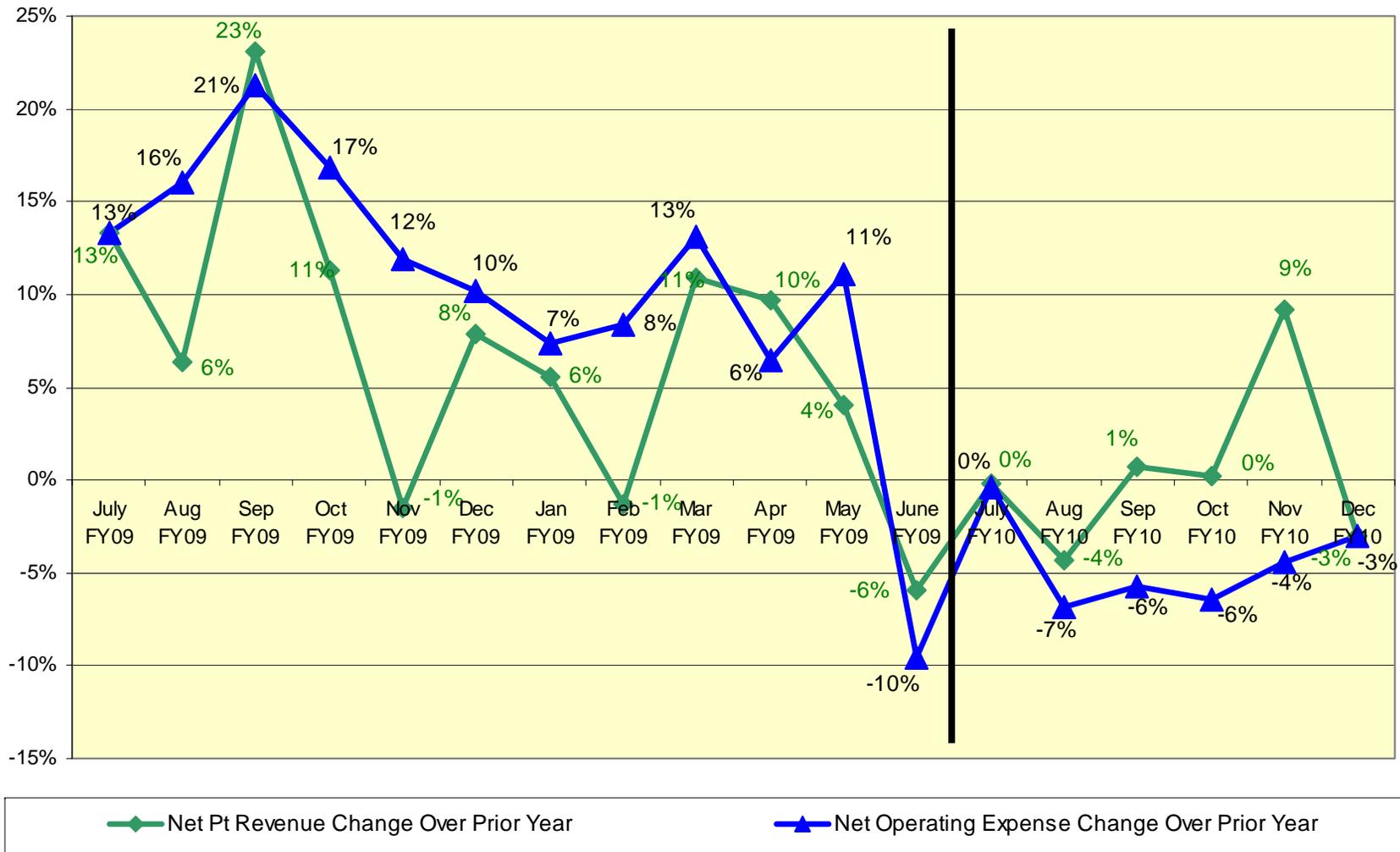


SOURCE: Action OI Database, 2009 Q3

Change in Net Patient Revenues and Operating Expenses by Month Compared to Prior Year



In contrast to last fiscal year, revenue growth is now greater than growth in operating expenses.





Iowa River Landing Ambulatory Care Facility Planning

Jean Robillard, MD, Vice President for Medical Affairs
Ken Kates, CEO – UIHC, Associate Vice President, UI Health Care
Gordon Williams, Chief of Operations, UI Health Care
Kenneth Fisher, CFO – UIHC, Associate Vice President for Finance, UI Health Care

Recommended Action:

Review and evaluate proposed UIHC programmatic, financial and construction plans for acquiring clinic facilities within the Iowa River Landing development in Coralville. Authorize the University to proceed with project development and return to the Board with definitive actions for approval in March based upon the advice received from the Board at the February meeting.

PRESENTATION OUTLINE

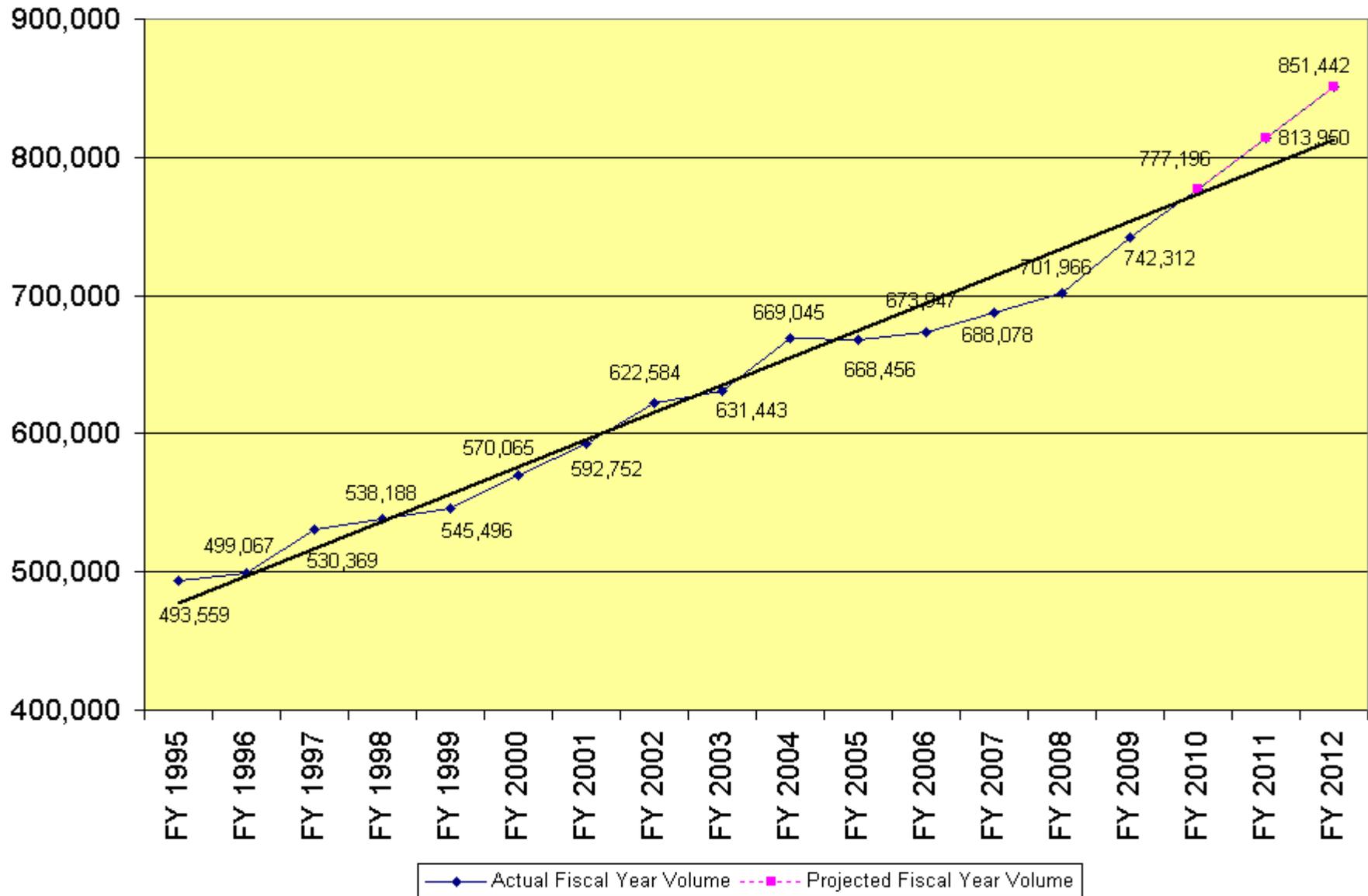
- A. Need and Justification for Project
- B. Consequences of Not Undertaking Project/How Project will Strengthen UI Health Care for Meeting its Commitments in the 21st Century
- C. Project Description
 - 1. Background
 - 2. Site Description, Facility Location and Relation to Other Structures
 - 3. Turnkey Construction Plan and Purchase of Completed Facilities
 - 4. Parking Arrangements
- D. Cost Estimate (Pro Forma), Volume, Revenue Projections and Financing Plan
- E. Project Schedule and Approvals
- G. Additional Information

Need and Justification for Project

Why Create Iowa River Landing Clinics?

- Capacity for outpatient growth is constrained at current location
- Parking and traffic flow are major problems
 - Limited amount of parking
 - Parking locations are not close to outpatient clinics
- Shifting ambulatory patient volume from UIHC's main campus is in concert with long-term facility growth plans and creates needed space to expand other clinical and support services.
- UIHC site is challenging for some patients
 - Way finding is difficult for many patients
 - Some patients must walk long distances to access clinics and ancillary services

Growth in Outpatient Visits – FY 1995 through FY 2012



Growth in Annual Clinic Visits for Select Clinical Services



Clinical Service	Annual Clinic Visits			Projected Growth in Clinic Visits (FY 1995 - FY 2012*)	
	FY 1995	FY 2009	FY 2012*	#	%
Cardiology-Non Invasive	9,726	23,752	27,394	17,668	182%
Dermatology	24,830	24,705	28,835	4,005	16%
Endocrinology	6,554	10,625	11,883	5,329	81%
Gastroenterology	11,314	27,430	31,565	20,251	179%
General Internal Medicine	22,772	30,464	32,331	9,559	42%
General Pediatrics	13,427	23,504	26,173	12,746	95%
Ophthalmology	62,091	66,790	73,223	11,132	18%
Orthopaedics	41,332	52,781	63,932	22,600	55%
Pain Medicine	2,952	4,164	4,649	1,697	57%
Pediatric Otolaryngology	2,843	6,906	9,132	6,289	221%
Urology	18,109	19,314	21,262	3,153	17%
Women's Services:	49,016	70,987	84,642	35,626	73%
Obstetrics	14,237	25,273	29,587	15,350	108%
Gynecology	34,779	45,714	55,056	20,277	58%

* Projected based on actual clinic visit growth for FY 2009 over FY 2008

Why Create Iowa River Landing Clinics?

- Capacity for outpatient growth is constrained at current location
- Parking and traffic flow are major problems
 - Limited amount of parking
 - Parking locations are not close to outpatient clinics
- Shifting ambulatory patient volume from UIHC's main campus is in concert with long-term facility growth plans and creates needed space to expand other clinical and support services.
- UIHC site is challenging for some patients
 - Way finding is difficult for many patients
 - Some patients must walk long distances to access clinics and ancillary services

Growth of Vehicular Traffic: 1993 - 2008



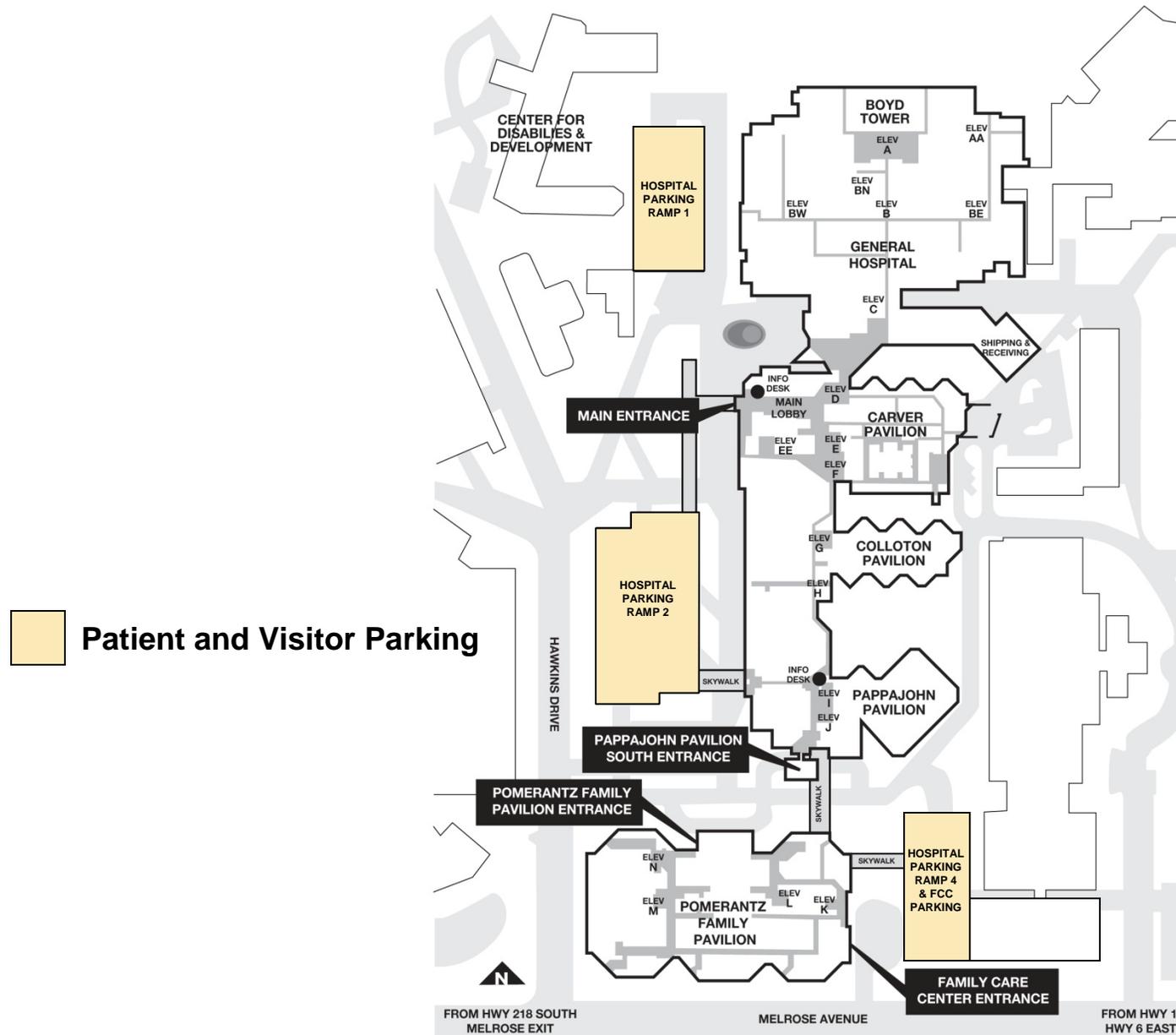
	Peak Hour Traffic Volume		
	1992*	2008**	Change 1993-2008
Intersection of Hawkins Dr. and Melrose Ave.	1,515	1,865	23.1%
Intersections of Hawkins Drive & UIHC Main & South Drive Entrances	2,345	2,421***	3.2%

* Study conducted by Barton-Aschman Associates, Inc.
Peak hour was 7:30 – 8:30 a.m.

** Study conducted by HDR.
Peak hour was 7:15 – 8:15 a.m.

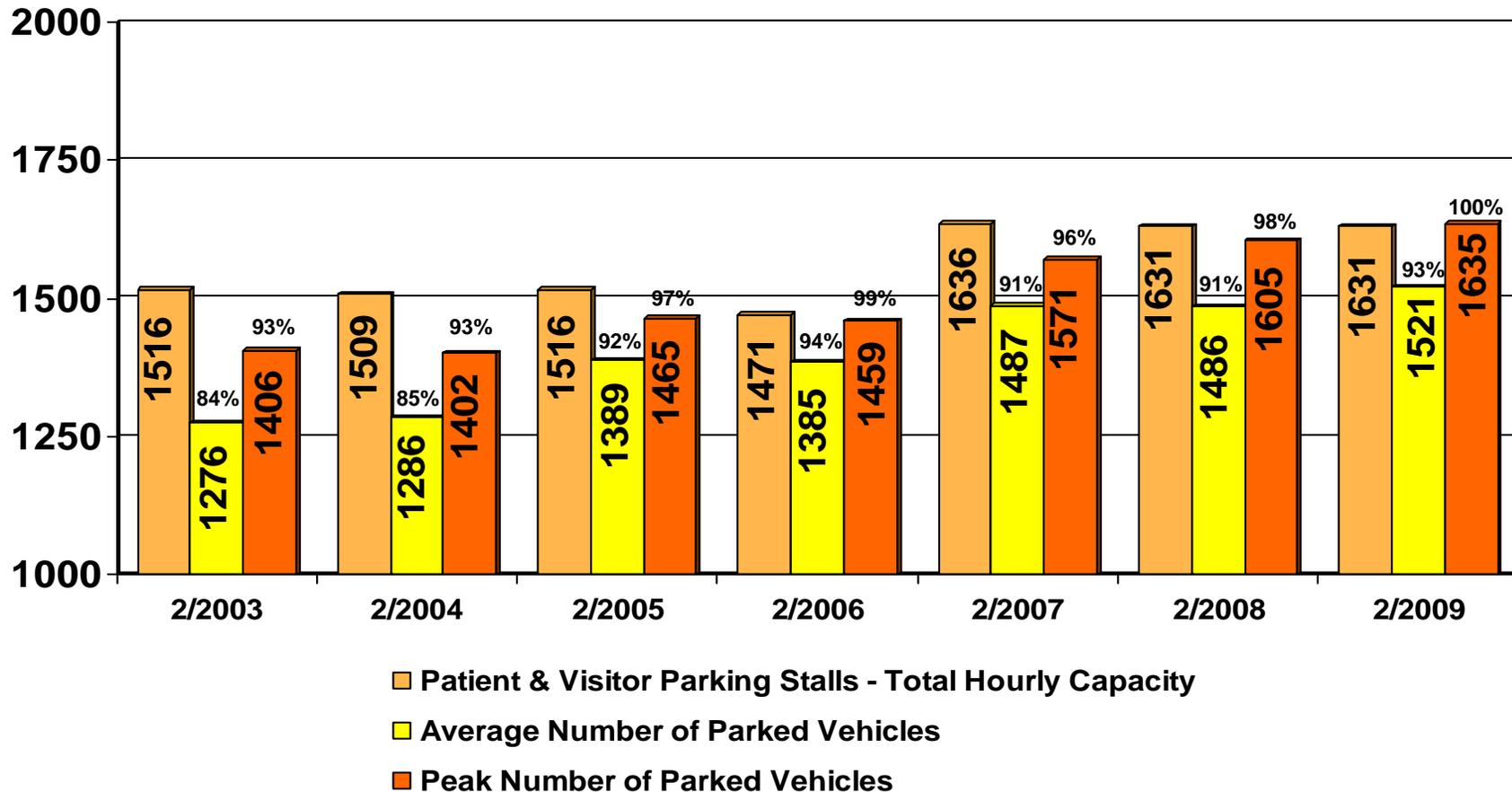
*** Growth in UIHC Main and South Drive Entrances volume in 2008 reflects a reduction in patients arriving at these entrances for General Pediatrics and General Internal Medicine appointments. These patients are now served in the Pomerantz Family Pavilion Family Care Center and enter that facility from Melrose Ave.

UIHC Patient and Visitor Parking



Congested Patient and Visitor Parking*

Recommended Standard for Maximum Parking Stall Occupancy – 85%



* Measured during the month of February at 11:00 a.m., M-F, at Hospital Parking Ramps 1, 2 and 4 and the Family Care Center parking lot.

Why Create Iowa River Landing Clinics?

- Capacity for outpatient growth is constrained at current location
- Parking and traffic flow are major problems
 - Limited amount of parking
 - Parking locations are not close to outpatient clinics
- Shifting ambulatory patient volume from UIHC's main campus is in concert with long-term facility growth plans and creates needed space to expand other clinical and support services.
- UIHC site is challenging for some patients
 - Way finding is difficult for many patients
 - Some patients must walk long distances to access clinics and ancillary services

Studies Undertaken to Determine Facility Requirements for Meeting Patient Care Needs, Expectations & Standards in the 21st Century



- Engaged Kurt Salmon Associates (KSA) (FY 2005-2007) and TRG Healthcare LLC (FY 2007-2008), national consulting firms to assist with planning
- Consultants worked with UIHC planning staff, clinical department heads and faculty, other medical leaders, UIHC, CCOM and UI Facilities and Operations administrators and many other staff to complete assessments in three areas:
 - **Strategic assessment** – translated the future vision into work load projections and facility requirements
 - **Operational assessment** - evaluated the functionality of clinical space in comparison to contemporary standards
 - **Physical assessment** - evaluated the physical condition of current facilities and the capacity and constraints related to future development
- Information from the assessments and other factors led to conclusion that UIHC's facilities need to be modernized to meet its multiple missions going forward; and these future facility needs could best be met by:
 - developing a children's hospital,
 - expanding critical care services,
 - renovating existing patient care units, and
 - developing off-site facilities for a number of ambulatory care clinical services.

“Backfill Plan” – Use of Space Vacated by Relocation of Select Clinical Services to Iowa River Landing



The Iowa River Landing (IRL) ambulatory care clinic facilities will make it possible to vacate some current UIHC facilities or use them less intensely. Those in the latter category will be consolidated to assure efficient use of space. All vacated space will ultimately be reallocated (“backfilled”) to services remaining at the UIHC main campus and to meet new space needs. Specifically, the vacated space will be used to accommodate:

- clinical and support services remaining on the UIHC campus that currently have space needs,
- development of new clinical services and for expanding and new clinical education and research programs,
- continued growth of services remaining at the UIHC main campus, and
- swing space required during planned renovations, expansions of new and existing services and development of the Children’s Hospital.

Why Create Iowa River Landing Clinics?

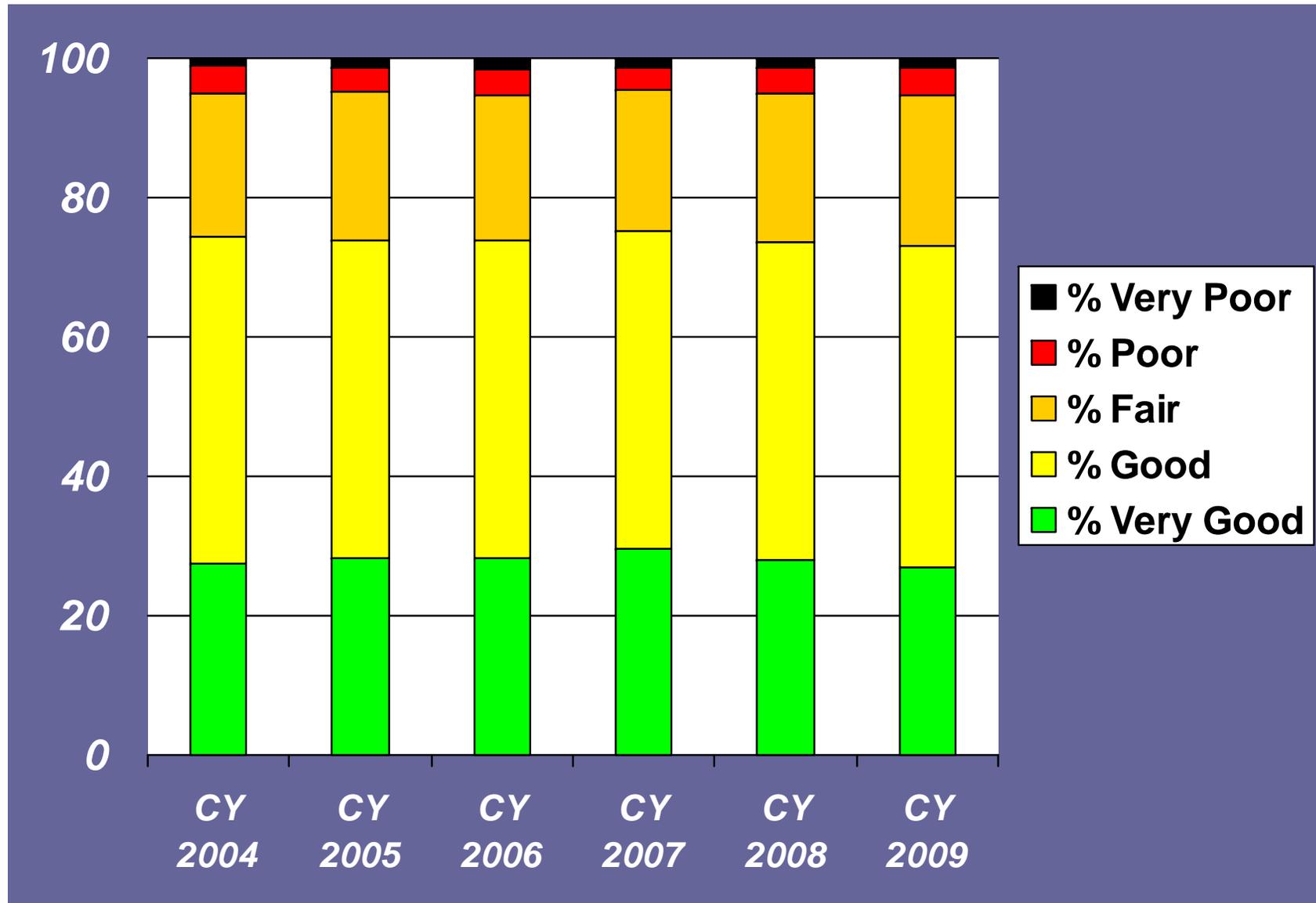
- Capacity for outpatient growth is constrained at current location
- Parking and traffic flow are major problems
 - Limited amount of parking
 - Parking locations are not close to outpatient clinics
- Shifting ambulatory patient volume from UIHC's main campus is in concert with long-term facility growth plans and creates needed space to expand other clinical and support services.
- UIHC site is challenging for some patients
 - Way finding is difficult for many patients
 - Some patients must walk long distances to access clinics and ancillary services

Patient Comments on Wayfinding

- “It was hard to find the reception area from the entrance I took.”
- “I got lost trying to get from parking to the doctor’s office.”
- “Thank God for Info Desk. Got lost!”
- “Finding it [clinic] is a struggle. I think the new clinic will help with this problem.”

Inpatient Adult Question

“Ease of finding your way around the hospital”



Consequences of Not Undertaking Project/ How Project will Strengthen UI Health Care for Meeting its Commitments in the 21st Century

Consequences and Opportunities



Consequences of Not Undertaking Project:	How Project will Strengthen UI Health Care:
<ul style="list-style-type: none"> ● Capacity for outpatient growth will reach a plateau as operational improvements are maximized and physical constraints of existing buildings preclude development of additional clinic exam and procedure facilities 	<ul style="list-style-type: none"> ● Provides opportunity to expand outpatient services both off-site and for those clinical services that are not candidates for relocation out of UIHC due to their need for proximity to high cost diagnostic and therapeutic services that must remain on campus
<ul style="list-style-type: none"> ● A constrained growth in outpatient service volume will limit opportunities for further growth in inpatient volume and the relocation of ambulatory service functions now using inpatient facilities due to shortage of ambulatory clinic space 	<ul style="list-style-type: none"> ● Increases in inpatient admissions and associated diagnostic and therapeutic procedures, including surgical procedures, will have a positive impact on UIHC’s research and teaching programs, as well as its revenues
<ul style="list-style-type: none"> ● Delays and additional construction costs will be incurred when undertaking renovation projects or it will be impossible to undertake certain projects due to lack of adequate “swing space” to accommodate the temporary relocation of programs and services 	<ul style="list-style-type: none"> ● Will enable UIHC to meet on-going and needed renovation of ambulatory and inpatient facilities in a more timely and cost effective fashion
<ul style="list-style-type: none"> ● Meeting the on-going space demands for teaching and clinical research components of UIHC’s tripartite mission, such as the recent 30,000 gsf space commitment to the UI Institute for Clinical and Translational Science, will be impaired 	<ul style="list-style-type: none"> ● Space within the UIHC will become available to better meet the teaching and clinical research requirements of the overall clinical enterprise
<ul style="list-style-type: none"> ● Patient expectations for timely, convenient and accessible services will become more challenging to meet 	<ul style="list-style-type: none"> ● Provides opportunity to enhance the patient experience by offering additional services in a more convenient and patient friendly environment
<ul style="list-style-type: none"> ● Existing difficulties in addressing the continued growth in vehicular traffic and parking demands and campus/building congestion will become further exacerbated 	<ul style="list-style-type: none"> ● Access to and within UIHC’s main campus facilities will become less congested, thereby improving the overall on-campus experience for patients, visitors and staff

Project Description

- Studies to determine UIHC's future facility requirements led to conclusion that a major emphasis should be placed on developing off-site ambulatory care services
- A number of potential sites were assessed in the greater Iowa City, Coralville, North Liberty area
- Evaluation of these sites led to conclusion that development of a new ambulatory care facility at Iowa River Landing in Coralville would provide best option. In particular, site offers:
 - a very visible and easily accessed location,
 - excellent arterial roadway access given adjacency to I-80 and close proximity to I-380,
 - inviting and supportive setting given planned IRL development of a major shopping, hotel, dining and entertainment complex,

Background (cont.)

- short distance from UIHC and opportunity to decongest UIHC's main campus,
- potential to increase UI Health Care's capacity to care for Iowans and others throughout region,
- a setting for creation of a new model for outpatient care training for medical students and residents, and
- opportunity to develop new model in which patient services are provided in environment emphasizing an ideal experience.

Background – Creating the Ideal Patient Experience



- The Ideal Patient Experience means defining and creating an unforgettable, satisfying event, across the entire patient's experience, that is benchmarked as best in class, standardized to be repeatable, and customized to be personal.
- Using the Celebration Health model for service excellence, create service standards across the organization that embrace the belief that: *“Whatever we accomplish is due to our combined efforts”* and *“You don’t build it for yourself, you know what people want and you build it for them.”*
- Recognize that to create a good patient experience, one must also create a good physician and staff experience.
- Create an experience in which patients are delighted by receiving their health care in a pleasant, patient-centered, and compassionate environment in which their privacy, dignity, and individuality is respected at all times.
- Treat the patients warmly and professionally, acknowledge their needs, and strive to *exceed* their expectations.

Background – Objectives of Iowa River Landing Clinics



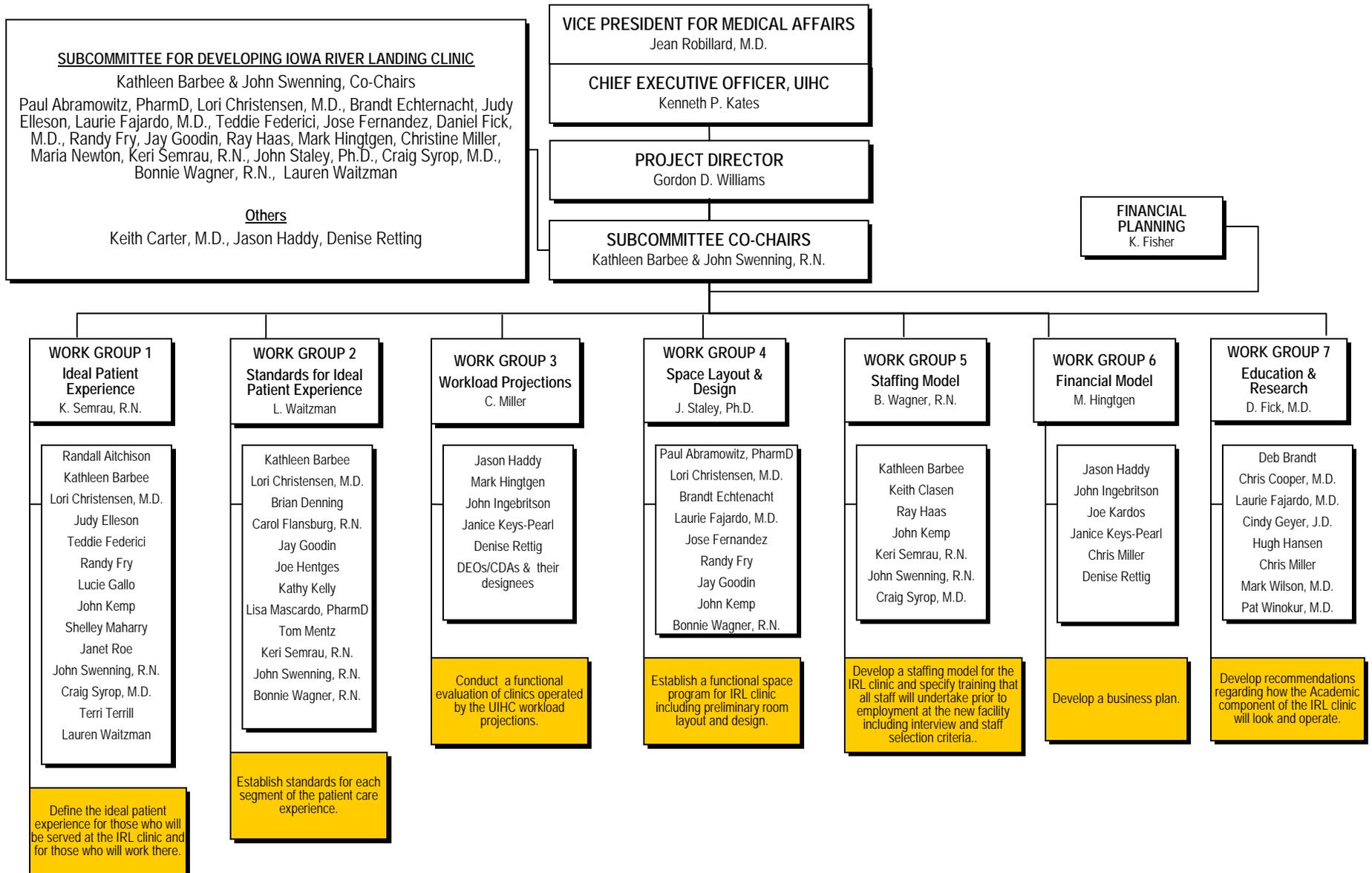
- Create a major opportunity for outpatient growth
- Accommodate increased inpatient volume which is directly linked to clinic volume
- Create a patient friendly location with easy access
- Create an incentive for physicians and staff to change their practice model
- Focus on outpatient services traditionally delivered in ambulatory settings
- Creation of clear distinction between inpatient services and ambulatory services
- Design facility for maximum flexibility that can be adapted as needs or services change/grow
- Have the building in service by FY 2012
- Have space to support up to 300,000 clinic visits per year

Background – Operating Principles for IRL Clinic



- **Patient-centric, provider efficient care:** the guiding principle from which the 19 primary care operating principles and guidelines flow.
 - Consistency of patient care: Access to care, hours of operation, availability of services, and scheduling practices.
 - Provider availability: Practice at IRL predicated on a defined Clinical FTE and productivity standards.
 - Facility is an organizational resource: optimize design, flow, room and staff utilization to ensure patient experience and financial goals.
 - Adherence to Ambulatory Standards of Excellence: Ensure that quality of service expectations are met.

Background – Organizational Structure of Subcommittee for Developing IRL Clinic



Site Description, Facility Location and Relation to Other Structures



Iowa River Landing Master Site Plan

UIHC Site



Flood 2008



Parking Summary

PARKING SUMMARY

- 265 (LOWER LEVEL) (8 ADA)
- 270 (MIDDLE LEVEL) (50 ADA) (250 SUPPORTED)(20 SURFACE)
- 299 (UPPER LEVEL) (272 SUPPORTED)(27 SURFACE)
- 53 NW PAD
- 59 SW PAD
- 40 North PAD
- 22 (2ND AVE AND 10TH ST)
- 1008 TOTAL SPACES (787 GARAGE, 522 SUPPORTED, 221 SURFACE)

NEUMANN MONSON
ARCHITECTS

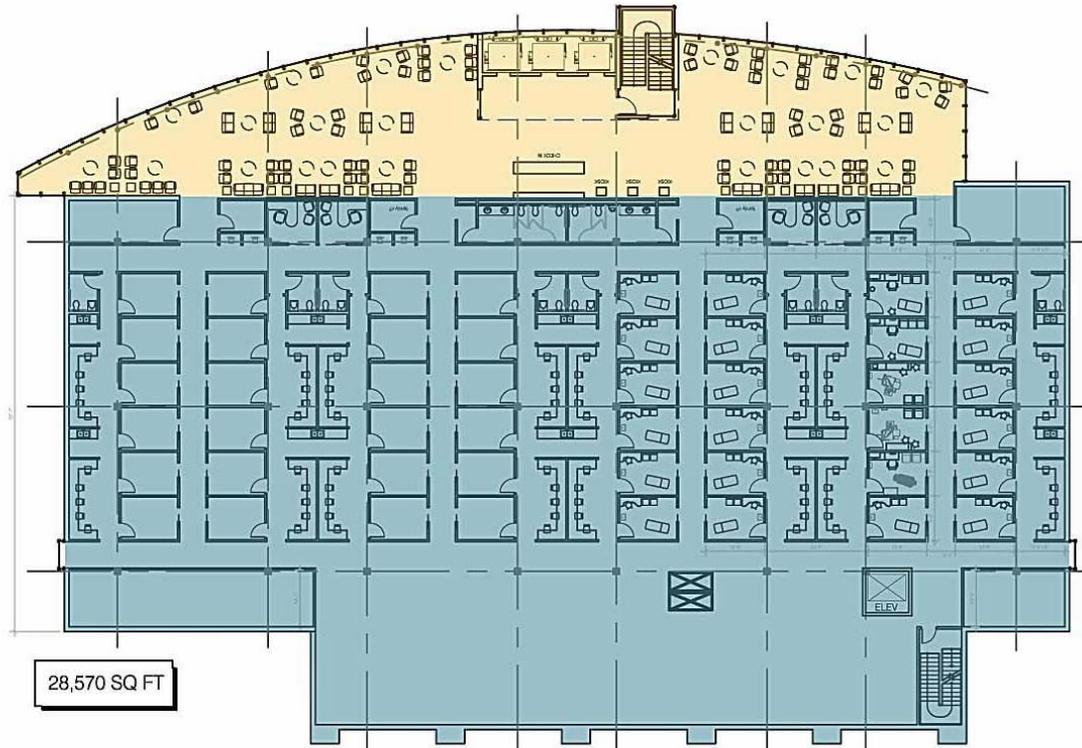
DATE: 11.23.09



View of Proposed Clinic from Northwest



2nd – 5th Level Floor Plan*



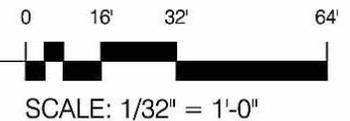
28,570 SQ FT

Clinic reception and waiting
 Clinic exam, treatment and support

NEUMANN MONSON
 ARCHITECTS
 A PROFESSIONAL CORPORATION
 221 E. COLLEGE ST. IOWA CITY, IA 52240
 319-338-7878 319-330-7879 FAX

2ND -5TH LEVEL FLOOR PLAN *

DATE: 11.23.09



* 5th Level will be initially shelled and completed when warranted by future clinic volumes

Process for Project

- UIHC intends to seek Board of Regents, State of Iowa, approval of contract with the Developer of Iowa River Landing - OliverMcMillan and the City of Coralville:
 - To acquire site for a completed medical office building of approximately 150,000 gsf. 30,000 gsf to be initially shelled
 - To provide parking spaces needed to support clinic operations and employee needs under the same timeframe
 - The estimated cost of the building is about \$53 million
 - UIHC will contract for construction of building under standard Board of Regents public bidding procedures
 - UIHC provided equipment and furnishings are budgeted at \$20 million

Process for Project

- OliverMcMillan, The Developer will be responsible for all integration of building design, parking and site development to the satisfaction of the UIHC and the City of Coralville.
- UIHC Capital Management staff will be engaged to assure adequate oversight

- The parking facility will be owned and operated by the City of Coralville. UIHC will obtain approximately 600 parking spaces with the opening of the building and up to an additional 150 parking spaces when the shelled floor is completed
 - The model for cost sharing will allocate about 75% of the cost of the parking structure and operations to UIHC
 - The balance of the cost will be borne by the City of Coralville to support retail and small office spaces on the site
 - The pro forma models include about \$1,550,000 of cost to support parking

Parking Arrangements (cont.)

- Parking will be provided to patients without charge
- Parking for employees will be coordinated with University of Iowa Parking and Transportation Services and charged at rates comparable to similar spaces provided by UI Parking Services
- The City of Coralville is planning to build an intermodal parking and bus facility at a nearby location on the IRL site

Documents to be executed

- Satellite Medical Facility (“SMF”) Development Agreement. The SMF Development Agreement is the purchase agreement between Regents and the City of Coralville to acquire site for facility pursuant to conditions specifying intended site use, a professional services agreement with developer to coordinate project with overall IRL development, and project timing. The Regents’ obligations under this Agreement will be conditional upon the completion of the Parking Facility and Infrastructure.

Documents to be executed

- Parking Agreement. The City and Regents will enter into a Parking Agreement pursuant to which the City agrees to cause the Parking Facility to be constructed on the Parking Site, the City agrees to grant Regents (UIHC) an easement to use the top two levels of the Parking Facility for the benefit of the Building during normal business hours and Regents agrees to pay the City an annual sum sufficient to pay debt service and operating costs of the Facility.
- Payment in Lieu of Taxes Agreement for City of Coralville services. The City and Regents/UIHC will enter into an agreement under which the UIHC will make an annual payment to the City in lieu of property taxes.

UIHC – Coralville Medical Office Building Financing Plan

	Series 2012	Series 2013	Total
Hospital Bonds	27,425,000	27,475,000	54,900,000
Issuance costs	2,425,000	2,475,000	4,900,000
Net Proceeds	25,000,000	25,000,000	50,000,000
Max Annual Debt Payment	1,868,000	1,916,000	3,784,000

Financing Plan Series 2012



- Date of issue March 1, 2012 (issue date will change)

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
09/01/2012	-	-	582,153.13	582,153.13
09/01/2013	700,000.00	1.700%	1,164,306.25	1,864,306.25
09/01/2014	700,000.00	2.100%	1,152,406.25	1,852,406.25
09/01/2015	725,000.00	2.500%	1,137,706.25	1,862,706.25
09/01/2016	725,000.00	2.800%	1,119,581.25	1,844,581.25
09/01/2017	750,000.00	3.100%	1,099,281.25	1,849,281.25
09/01/2018	775,000.00	3.400%	1,076,031.25	1,851,031.25
09/01/2019	800,000.00	3.600%	1,049,681.25	1,849,681.25
09/01/2020	825,000.00	3.800%	1,020,881.25	1,845,881.25
09/01/2021	875,000.00	4.000%	989,531.25	1,864,531.25
09/01/2022	900,000.00	4.100%	954,531.25	1,854,531.25
09/01/2023	950,000.00	4.200%	917,631.25	1,867,631.25
09/01/2024	975,000.00	4.300%	877,731.25	1,852,731.25
09/01/2025	1,025,000.00	4.500%	835,806.25	1,860,806.25
09/01/2026	1,075,000.00	4.550%	789,681.25	1,864,681.25
09/01/2027	1,125,000.00	4.600%	740,768.75	1,865,768.75
09/01/2028	1,175,000.00	4.625%	689,018.75	1,864,018.75
09/01/2029	1,225,000.00	4.650%	634,675.00	1,859,675.00
09/01/2030	1,275,000.00	4.700%	577,712.50	1,852,712.50
09/01/2031	1,350,000.00	4.700%	517,787.50	1,867,787.50
09/01/2032	1,400,000.00	4.750%	454,337.50	1,854,337.50
09/01/2033	1,475,000.00	4.750%	387,837.50	1,862,837.50
09/01/2034	1,525,000.00	4.750%	317,775.00	1,842,775.00
09/01/2035	1,600,000.00	4.800%	245,337.50	1,845,337.50
09/01/2036	1,700,000.00	4.850%	168,537.50	1,868,537.50
09/01/2037	1,775,000.00	4.850%	86,087.50	1,861,087.50
Total	\$27,425,000.00	-	\$19,586,815.63	\$47,011,815.63

Financing Plan Series 2013



- Date of issue March 1, 2013 (issue date will change)

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
09/01/2013	-	-	619,295.00	619,295.00
09/01/2014	675,000.00	1.950%	1,238,590.00	1,913,590.00
09/01/2015	675,000.00	2.350%	1,225,427.50	1,900,427.50
09/01/2016	700,000.00	2.750%	1,209,565.00	1,909,565.00
09/01/2017	725,000.00	3.050%	1,190,315.00	1,915,315.00
09/01/2018	725,000.00	3.350%	1,168,202.50	1,893,202.50
09/01/2019	750,000.00	3.650%	1,143,915.00	1,893,915.00
09/01/2020	800,000.00	3.850%	1,116,540.00	1,916,540.00
09/01/2021	825,000.00	4.050%	1,085,740.00	1,910,740.00
09/01/2022	850,000.00	4.250%	1,052,327.50	1,902,327.50
09/01/2023	900,000.00	4.350%	1,016,202.50	1,916,202.50
09/01/2024	925,000.00	4.450%	977,052.50	1,902,052.50
09/01/2025	975,000.00	4.550%	935,890.00	1,910,890.00
09/01/2026	1,025,000.00	4.750%	891,527.50	1,916,527.50
09/01/2027	1,075,000.00	4.800%	842,840.00	1,917,840.00
09/01/2028	1,125,000.00	4.850%	791,240.00	1,916,240.00
09/01/2029	1,175,000.00	4.880%	736,677.50	1,911,677.50
09/01/2030	1,225,000.00	4.900%	679,337.50	1,904,337.50
09/01/2031	1,275,000.00	4.950%	619,312.50	1,894,312.50
09/01/2032	1,350,000.00	4.950%	556,200.00	1,906,200.00
09/01/2033	1,425,000.00	5.000%	489,375.00	1,914,375.00
09/01/2034	1,500,000.00	5.000%	418,125.00	1,918,125.00
09/01/2035	1,575,000.00	5.000%	343,125.00	1,918,125.00
09/01/2036	1,650,000.00	5.050%	264,375.00	1,914,375.00
09/01/2037	1,725,000.00	5.100%	181,050.00	1,906,050.00
09/01/2038	1,825,000.00	5.100%	93,075.00	1,918,075.00
Total	\$27,475,000.00	-	\$20,885,322.50	\$48,360,322.50

Summary of Iowa River Landing Services*

- General Internal Medicine
- General Pediatrics
- Women's Health Services
- Cardiology
- Cardiac Rehab
- Dermatology
- Diabetic Center
- Gastroenterology
- General Surgery
- Ophthalmology
- Rehabilitation Services
- Pain Clinic
- Otolaryngology
- Urology
- Lab
- Radiology
- Pharmacy

* Please note that many of these services would be moving only a portion of their patient population to IRL.

Cost Estimate (Pro Forma), Volume and Revenue Projections and Financing Plan

Building and Project Cost Per Square Foot Comparisons

Building	Occupancy	Project Cost \$/SF
Emergency Treatment Center	3 Q 2008	\$436
IOSMR -Sports Medicine	4 Q 2009	\$212
College of Public Health	1 Q 2011	\$367
Iowa River Landing	2 Q 2012	\$357

Proforma



Iowa River Landing Proforma FY13-FY17					
	FY13	FY14	FY15	FY16	FY17
RVUs	250,530	261,286	269,864	277,439	283,945
Encounters	194,552	202,946	209,530	215,220	220,310
Provider FTE	49.05	51.01	52.52	53.89	55.08
Revenue					
Facility Charges	\$ 109,847,152	\$ 120,052,340	\$ 129,980,480	\$ 140,158,371	\$ 150,511,998
Facility Contractuals	70,074,522	77,631,353	85,125,209	92,917,308	100,974,244
Facility Net Revenue	\$ 39,772,630	\$ 42,420,988	\$ 44,855,272	\$ 47,241,063	\$ 49,537,754
Physician Charges	\$ 68,200,363	\$ 74,606,163	\$ 80,877,379	\$ 87,302,772	\$ 93,782,329
Physician Contractuals	49,002,461	54,080,715	59,146,177	64,404,893	69,764,535
Physician Net Revenue	\$ 19,197,902	\$ 20,525,448	\$ 21,731,202	\$ 22,897,879	\$ 24,017,794
Total Net Revenue	\$ 58,970,532	\$ 62,946,436	\$ 66,586,474	\$ 70,138,942	\$ 73,555,548

Proforma (cont.)



Iowa River Landing Proforma FY13-FY17					
	FY13	FY14	FY15	FY16	FY17
Total Net Revenue	\$ 58,970,532	\$ 62,946,436	\$ 66,586,474	\$ 70,138,942	\$ 73,555,548
Expenditures					
Total Provider Salary and Fringe	14,406,853	15,540,861	16,590,663	17,646,878	18,782,835
Total Business Oper Staff	1,965,815	2,154,420	2,337,944	2,525,724	2,716,499
Total Front Office Supp Staff	1,279,701	1,408,190	1,535,785	1,668,764	1,805,730
Total Clinical Support Staff	7,802,287	8,593,140	9,362,710	10,162,356	10,989,481
Total Ancillary Support Staff	5,567,367	5,862,473	6,166,693	6,477,805	6,801,035
Total Personnel Costs	\$ 31,022,024	\$ 33,559,084	\$ 35,993,795	\$ 38,481,527	\$ 41,095,579
Total General Operating Cost	14,012,604	14,837,062	15,490,751	16,129,505	16,951,254
Total Expenditures	\$ 45,034,629	\$ 48,396,146	\$ 51,484,546	\$ 54,611,032	\$ 58,046,833
Contribution Margin	\$ 13,935,904	\$ 14,550,290	\$ 15,101,928	\$ 15,527,910	\$ 15,508,715
Contribution Margin %	23.6%	23.1%	22.7%	22.1%	21.1%
Overhead Costs	\$ 10,020,993	\$ 11,777,577	\$ 11,815,427	\$ 11,852,232	\$ 11,888,175
Operating Margin	\$ 3,914,910	\$ 2,772,713	\$ 3,286,501	\$ 3,675,677	\$ 3,620,540
Operating Margin %	6.6%	4.4%	4.9%	5.2%	4.9%

Proforma Detail – Year 1 (FY 2013)



RVU's - Service Line	229,141
RVU's - Radiology	12,987
RVU's - Pathology	8,402
Encounters	194,552
Revenue	
Facility Charges	\$ 109,847,152
Facility Contractuals	70,074,522
Facility Net Revenue	\$ 39,772,630
Physician Charges	\$ 68,200,363
Physician Contractuals	49,002,461
Physician Net Revenue	\$ 19,197,902
Total Net Revenue	\$ 58,970,532

Proforma Detail – Year 1 (FY 2013) (cont.)



Personnel Costs	
Physician Provider	\$ 12,437,694
Non-Physician Provider	1,969,159
Total Provider Salary and Fringe	\$ 14,406,853
General Administrative	\$ 1,430,537
General Accounting	409,730
Information Technology	125,548
Total Business Oper Staff	\$ 1,965,815
Medical Receptionists	\$ 280,227
Med Secretaries, Transcribers	286,230
Medical Records	426,961
Other Admin Support	286,283
Total Front Office Supp Staff	\$ 1,279,701
Registered Nurses	\$ 2,122,517
Med Assistants, Nurse Aides	5,679,770
Total Clinical Support Staff	\$ 7,802,287
Clinical Laboratory	\$ 1,540,174
Radiology and Imaging	1,745,846
Other Medical Support Svc	2,281,348
Total Ancillary Support Staff	\$ 5,567,367
Total Personnel Costs	\$ 31,022,024

Proforma Detail – Year 1 (FY 2013) (cont.)



General Operating Costs

Information Technology	\$	421,978
Drug Supply		3,678,120
Medical and Surgical Supply		459,375
Admin Supplies and Services		870,885
Prof Liability Insurance		465,971
Outside Professional Fees		203,044
Promotion and Marketing		298,166
Clinical Laboratory		1,399,689
Radiology and Imaging		683,055
Misc Operating Cost		505,373
Dean's Incentive		1,151,874
Collection Services (Physician and Hospital)		3,875,075

Total General Operating Cost **\$ 14,012,604**

Proforma Detail – Year 1 (FY 2013) (cont.)



Overhead Costs

Building Depreciation	\$	1,357,143
Interest		1,486,650
Furniture and Equipment		145,501
Depr-Endoscopy/Proc Suites		255,719
Depr-Exam Room Equipment		664,541
Depr-Radiology		956,361
Depr-Pathology		234,751
Depr-Pharmacy		119,304
Depr-Tellecom		381,869
Utilities		892,787
Housekeeping, Maintenance		821,241
Security		108,160
Insurance		57,966
Parking		1,539,000
Payment to Coralville in lieu of property tax		1,000,000
Total Overhead Costs	\$	10,020,993

Proforma Detail – Year 1 (FY 2013) (cont.)



Total Net Revenue	\$ 58,970,532
Personnel Costs	\$ 31,022,024
<u>General Operating Costs</u>	<u>\$ 14,012,604</u>
Total Costs (excluding Overhead)	\$ 45,034,629
Contribution Margin	\$ 13,935,903
Contribution Margin %	23.6%
Overhead Costs	\$ 10,020,993
Operating Margin	\$ 3,914,910
Operating Margin %	6.6%

Impact of Iowa River Landing Project – Outpatient Proforma Analysis FY2013 – FY2017



	FY13	FY14	FY15	FY16	FY17
Incremental Difference in IRL Implementation					
RVUs	31,334	49,336	66,360	83,737	101,594
Encounters (Visits)	20,571	49,053	78,843	111,313	147,286
Net Revenue	9,082,892	16,256,670	23,941,238	32,531,318	42,153,567
Expenditures	2,961,598	9,739,847	15,109,795	21,192,841	28,366,880
Profit/(Loss)	\$ 6,121,294	\$ 6,516,823	\$ 8,831,443	\$ 11,338,477	\$ 13,786,687

Project Schedule and Approvals

Updated Timeline



Off-Site Ambulatory Care

2008		2009		2010	2011	2012	2013	2014	2015
<p>March, 2008 Commence site identification</p> <hr/> <p>July, 2008 Appointed Subcommittee to develop off-site Ambulatory Care plans</p>	<p>Aug. - Dec., 2008 Consider Coralville proposal on developing clinic at Iowa River Landing</p> <hr/> <p>Nov., 2008 Subcommittee presents recommendations on patient experience</p>	<p>Jan., 2009 Subcommittee presents recommendations on patient experience</p> <hr/> <p>March., 2009 Present proposal to Board of Regents for turnkey contract with development firm</p>	<p>May 2009 - Dec., 2010 Present status reports to Board of Regents</p> <hr/> <p>Feb., March, 2010 Seek permission from Board of Regents to enter into contractual agreement with City of Coralville for Iowa River Landing Project</p>	<p>September, 2010 Developer commences construction of initial building</p> <hr/> <p>Feb., May, Sept., Dec., 2010 Present status reports to Board of Regents</p>	<p>Feb., May, Sept., Dec., 2011 Present Status reports to Board of Regents</p>	<p>March, 2012 Developer completes construction of initial building</p> <hr/> <p>June, 2012 UIHC moves clinical operations into new facilities</p>			

Recommended Action:

Review and evaluate proposed UIHC programmatic, financial and construction plans for acquiring clinic facilities within the Iowa River Landing development in Coralville. Authorize the University to proceed with project development and return to the Board with definitive actions for approval in March based upon the advice received from the Board at the February meeting.