

November 2004 Update on University Hospitals Operations, Programs, and Finances, Quarterly Scorecard

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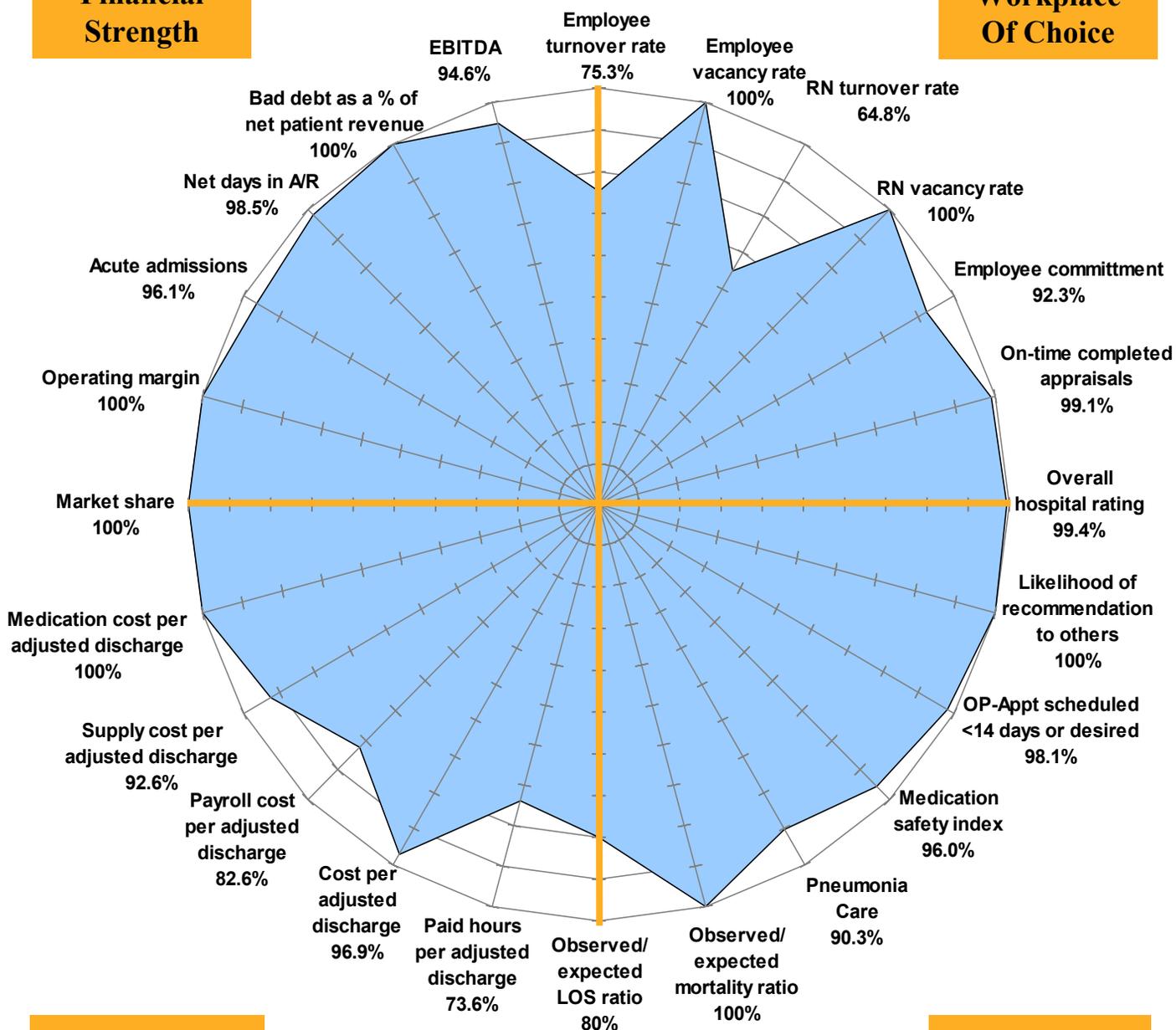
Associate Director and Chief Financial Officer

University of Iowa Hospitals and Clinics INSTITUTIONAL SCORE CARD

July 1, 2004 - September 30, 2004

Financial Strength

Workplace Of Choice



Improved Efficiencies

Pursuing Excellence

I. Workplace of Choice

Employee Commitment

II. Pursuing Excellence

Patient Safety and Quality

Performance Improvement

III. Improving Efficiencies

Patient Access and Throughput

IV. Financial Strength

Revenue and Expense Management

University of Iowa Hospitals and Clinics
INSTITUTIONAL SCORE CARD



WORKPLACE OF CHOICE

	FY 2004	7/1/04-9/30/04	Benchmark
Employee turnover rate	10.4%	3.85%	2.9%
Employee vacancy rate	5.8%	1.9%	7%
RN turnover rate	9.4%	4.01%	2.6%
RN vacancy rate	4.9%	3.5%	5%
Employee commitment	3.21	3.23	3.50
On-time completed appraisals	98.8%	99.1%	100%

I. Workplace of Choice Focus: Employee Commitment

Indicators: Turnover rates & employee commitment indicators show room for improvement

Issues:

- Separating the analysis of voluntary from involuntary terminations
- Ability to understand and influence employee commitment

Response:

- Improve tools for measuring employee commitment and increase number of employees surveyed
- Improve ability of supervisors and managers to offer positive work experience

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PURSuing EXCELLENCE

	FY 2004	7/1/04-9/30/04	Benchmark
Patient reported overall hospital rating	86.1%	86.2%	86.7%
Patient likelihood to recommend to others	91.6%	91.1%	90.7%
OP-Appt scheduled < 14 days or as desired	78.7%	78.5%	80%
Medication safety index	96.0%	96.0%	100%
JCAHO core measures: Pneumonia care *	(a)	68.3%	75.6%
Observed/expected mortality ratio	0.93	0.74	1.00

* JCAHO = Joint Commission on Accreditation of Healthcare Organizations

(a) New metric

II. Pursuing Excellence Focus: Patient Safety and Quality

Indicators: Timeliness of appointments, medication safety index and pneumonia care

Issues:

- Developing robust data and reporting to meet emerging external expectations from the public, JCAHO, payors and CMS

Response:

- Multi-disciplinary approach to process improvement
- Workflow changes and technology investments in blood product administration and electronic medical record in process

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IMPROVING EFFICIENCIES

	FY 2004	7/1/04-9/30/04	Benchmark
Observed/expected LOS ratio	0.98	1.20	1.00
Paid hours per adjusted discharge	176.4	169.4	134.0
Cost per adjusted discharge	\$9,105	\$8,879	\$8,616
Payroll cost per adjusted discharge	\$4,767	\$4,698	\$4,003
Supply cost per adjusted discharge	\$1,969	\$1,808	\$1,683
Medication cost per adjusted discharge	\$501	\$516	\$532

* LOS = Length of Stay

III. Improving Efficiencies Focus: Patient Access and Throughput

Indicators: Observed to expected length of stay ratio and cost per discharge disproportionately high in comparison to cost per patient day

Issues:

- Capacity constraints to get patient in most efficacious setting promptly
- Placement options after discharge

Response:

- Bed Placement Center
- Long Term Acute Care Hospital collaboration

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FINANCIAL STRENGTH

	FY 2004	7/1/04-9/30/04	Benchmark
Market share (inpatient)	6.7%	7.3%	7.0%
Operating margin	1.6%	2.9%	2.9%
Acute admissions (excludes newborns)	25,384	6,504	6,765
Clinic visits (main campus)	669,045	166,955	163,862
Major surgical procedures	20,644	5,341	5,430
Net days in accounts receivable	72	66	65
Bad debt as % of net patient revenue	8.83%	5.84%	6.30%
Earnings before interest, taxes, depreciation, and amortization	\$51,572,935	\$16,717,598	\$17,675,774

IV. Financial Strength Focus: Managing Revenues and Expenses

Metrics: Operating margin and earnings

Issues:

- Denials management and follow up for appropriate payment from insurers
- Increasing price of inputs, especially food, utilities, medical supplies

Response:

- Revenue cycle improvements
- Supply Chain optimizations

University of Iowa Hospitals and Clinics INSTITUTIONAL SCORE CARD



Definitions

WORKPLACE OF CHOICE

Indicator	Source/Description	Benchmark
Employee turnover rate	HR - Total number of terms / total number employees	Institutional target
Employee vacancy rate	HR - Total number of actively recruited positions / total number of allocated positions	Institutional target
RN turnover rate	HR - Total number of RN terms / total number of RNs	Institutional target
RN vacancy rate	HR - Number of actively recruited RN positions over the total number of allocated RN positions	Institutional target
Employee commitment	HR - Employee survey 1-4, 1=Strongly dissatisfied, 2=Dissatisfied, 3=Satisfied, 4=Strongly Satisfied	Institutional target
On-time appraisals	HR - % evaluations completed less than 30 days after due date.	JCAHO Target

PURSuing EXCELLENCE

Indicator	Source/Description	Benchmark
Patient reported overall hospital rating	CORM - Press-Ganey Patient Satisfaction Survey % of inpatient adults responding good or very good	UHC peer group median
Patient likelihood to recommend to others	CORM - Press-Ganey Patient Satisfaction Survey % of inpatient adults responding good or very good	UHC peer group median
Outpatient appointment scheduled in less than 14 days or as desired	CORM - Patient Satisfaction Survey % patients responding appointment scheduled in less than 14 days or as desired	Institutional target
Medication safety index	Pharmacy - Index of various medication safety measures based on the nine categories of the ASHP Best Practice Self-Assessment Tool	Institutional target
JCAHO core measures: Pneumonia care	CORM - Number of patients who received JCAHO pneumonia process of care measures / number of patients eligible for JCAHO pneumonia process of care measures	UHC rate
Observed/expected mortality ratio	CORM - Observed mortality rate for 100% acute discharges / UHC risk-adjusted expected mortality rate	UHC expected

IMPROVING EFFICIENCIES

Indicator	Source/Description	Benchmark
Observed/expected LOS ratio	CORM - UIHC observed LOS / UHC peer group median observed LOS. Excludes observation, recovery, and custodial days and newborns.	UHC peer group median
Paid hours per adjusted discharge	FAS - Total paid hours + contracted hours worked / ((gross patient charges/total gross inpatient charges) *(total patient discharges excluding newborns) *Case mix index)	ACTION 50th percentile
Cost per adjusted discharge	FAS - Operating costs / ((gross patient charges/total gross inpatient charges) *(total patient discharges excluding newborns) *Case mix index)	ACTION 50th percentile
Payroll cost per adj discharge	FAS - Payroll costs / ((gross patient charges/total gross inpatient charges) *(total patient discharges excluding newborns) *Case mix index)	ACTION 50th percentile
Supply cost per adjusted discharge	FAS - Supply costs / ((gross patient charges/total gross inpatient charges) *(total patient discharges excluding newborns) *Case mix index)	ACTION 50th percentile
Medication cost per adjusted discharge	Pharmacy - Pharmacy medication costs / ((total gross patient charges / gross inpatient charges) * (total patient discharges excluding newborns) *Case mix index)	Current Budget

FINANCIAL STRENGTH

Indicator	Source/Description	Benchmark
Market share (inpatient)	JPOMC - Market share of Acute inpatient discharges excluding MDC 19 (mental disease), 20 (alcohol/drug) and 25 (HIV). Source IHA data available semi-annually.	Institutional target
Operating margin	FAS - Operating income divided by net operating revenue	Current Budget
Acute admissions	FAS - Number of acute adult & pediatric patients admitted. Excludes normal newborns.	Current Budget
Clinic visits (UIHC only)	FAS - Total number of UIHC clinic visits. Excludes Outreach and CMS	Current Budget
Major surgical procedures	FAS - Total number of surgical procedures in Main OR, ASC and TURs	Current Budget
Net days in accounts receivable	FAS - Net patient accounts receivable / (net patient charges / days in period)	Institutional target
Bad debt as a % of net patient	FAS - Bad debt expense / net patient revenue	Moody's Aa mediar
EBITDA	FAS - Revenue - expenses (excluding interest, tax, depreciation, and amortization)	Current Budget

University of Iowa Hospitals and Clinics Comparative Financial Results for July through November



	July-Nov FY 2003*	July-Nov FY 2004	July-Nov FY 2005	% Change '04 to '05
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NET REVENUES:

	July-Nov FY 2003*	July-Nov FY 2004	July-Nov FY 2005	% Change '04 to '05
Total Pay Patient Rev.	\$217,369,336	\$234,460,368	\$245,167,430	4.6%
Appropriations	17,917,048	16,954,538	16,954,549	0.0%
Other Operating Rev.	14,693,788	15,439,617	16,166,153	4.7%
Total	\$249,980,172	\$266,854,523	\$278,288,132	4.3%

EXPENSES:

	July-Nov FY 2003*	July-Nov FY 2004	July-Nov FY 2005	% Change '04 to '05
Salaries and Wages	\$131,710,559	\$140,683,225	\$145,067,984	3.1%
General Expenses	93,966,415	103,599,062	105,678,951	2.0%
Depreciation	17,926,060	18,123,225	20,074,849	10.8%
Interest Expense	299,070	50,000	-	-100.0%
Total	\$243,902,104	\$262,455,512	\$270,821,784	3.2%

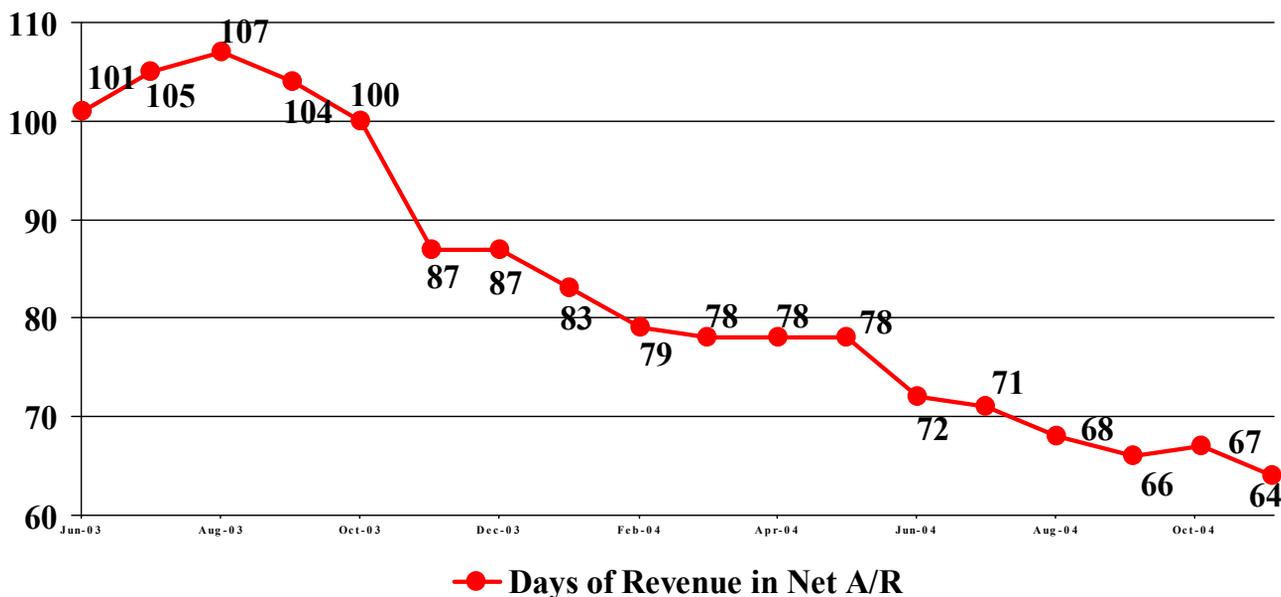
Operating Margin	\$6,078,068	\$4,399,011	\$7,466,348	69.7%
Operating Margin %	2.4%	1.6%	2.7%	62.8%

* Bad debts is no longer classified as an operating expense. Bad debt expense for prior fiscal years has been reclassified as an offset to net paying patient revenue in accordance with recent Governmental Accounting Standards Board interpretations.

University of Iowa Hospitals and Clinics Comparative Accounts Receivable as of November 2004



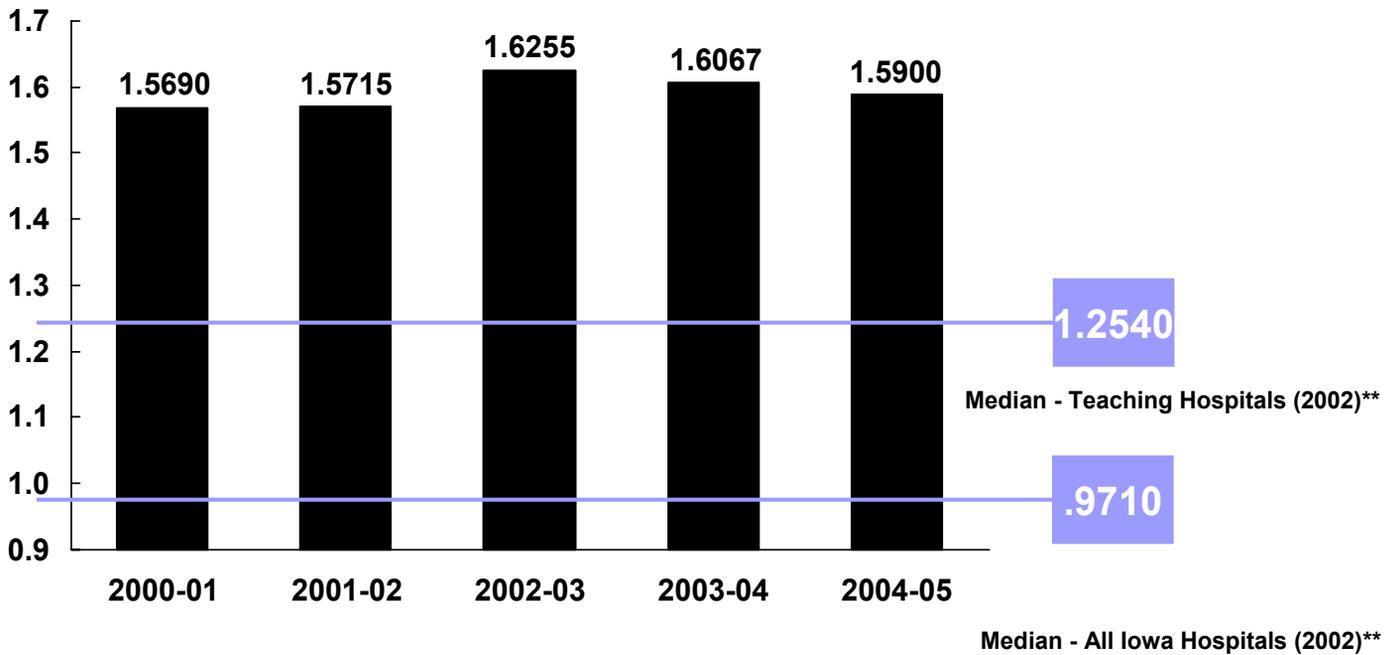
	June 30, 2003	June 30, 2004	November 30, 2004	Median Moody's Aa Rating
Gross Accounts Receivable	\$354,885,862	\$293,860,815	\$321,778,243	na
Net Accounts Receivable	\$143,583,988	\$110,344,338	\$101,768,445	na
Net Days in AR	101	72	64	62.2



UNIVERSITY OF IOWA HOSPITALS AND CLINICS

CASE MIX INDEX - ALL ACUTE INPATIENTS*

JULY - NOVEMBER



* THE CASE MIX INDEX REFLECTS THE OVERALL CLINICAL COMPLEXITY OF THE PATIENT CENSUS OF A GIVEN HOSPITAL BY ESTIMATING THE LEVEL OF RESOURCE CONSUMPTION OF THE AVERAGE PATIENT RELATIVE TO THAT OF ALL HOSPITALS NATIONALLY WHICH HAVE A CASE MIX INDEX OF 1.00.

** ALMANAC OF HOSPITAL FINANCIAL OPERATING INDICATORS, 2004 CHIPS
A TEACHING HOSPITAL IS ONE AT WHICH MEDICAL GRADUTES TRAIN AS RESIDENTS.