Regent Arbisser called the meeting to order at 2:50 p.m.

Minutes of August 3, 2004, Committee Meeting

Regent Arbisser asked if there were any additions or corrections to the minutes. There were none.

ACTION: Regent Arbisser stated the minutes of the August 3, 2004, University of Iowa Hospitals and Clinics Executive Board Committee were approved, as written, by general consent.

Director’s Report

President Skorton introduced the Director’s report, noting that many exciting and positive developments would be addressed at this meeting.

Director Katen-Bahensky itemized the key issues she would address in her update on the first quarter of operations.

- Strategic planning
- JCAHO survey preparation
- Leadership development
- Departmental score cards
- Revenue cycle improvement
- Marketing campaign
- Recruitment
- Community activities
Director Katen-Bahensky stated the JCAHO accreditation site visit is scheduled for December 6-10, 2004. She reviewed the information presented in the meeting materials on strategic planning. With regard to the marketing campaign, she presented a slide with the slogan, “Changing Medicine. Changing Lives.”, which is designed to let the public know that the University of Iowa Hospitals and Clinics is different than other hospitals in the state.

Director Katen-Bahensky provided a brief year-end report for 2003-2004, expressing pride in staff’s work in the last year. She reviewed the institutional score card (“spider diagram”). In the category of workplace of choice, there has been an improvement in nursing recruitment. She said the magnet hospital designation contributes to improved recruitment. In the category of pursuing excellence, she stated that Forbes magazine wrote an article about the Hospital’s in-room dining service and the Hospital clown program. In the category of improving efficiencies, she said there has been progress in the length of patient stay. She described the Lean Sigma Radiology Project which has contributed to improved efficiency. In the category of financial strength, she stated that progress had been made in improving the Hospital’s operating margin, especially as a result of supply chain optimization. She reported on private philanthropy for the Children’s Miracle Network, noting that 100% of the funds go to the Children’s Hospital of Iowa.

President Forsyth referred to strategic planning, and asked if all of the detailed tactical plans will be completed by February. Director Katen-Bahensky responded that the detailed tactical plans will not be completed by February. In February, there will be discussion of the vision statement, overall strategies and goals.

President Forsyth stated the Hospital had experienced a tremendous year. Excellent progress was made on virtually every one of the measures in the category of workplace of choice. He said it would be interesting to be presented with information on what were the biggest challenges in each of the categories, many of which are turned into accomplishments. He noted that, for the category of pursuing excellence, tremendous progress was made on every area save the check-in check-out time, which seemed to be going in the wrong direction.

Director Katen-Bahensky explained the efforts taking place to increase the number of true emergency patients that are seen in the Emergency Treatment Center (many of whom are subsequently admitted to the Hospital) versus those patients who use the service as an outpatient clinic. Efforts will be made to minimize commingling the admission of emergency patients with the outpatient admissions. She noted that, during the last year, the number of patients who were admitted to the Hospital from the Emergency Treatment Center increased by 18%.

President Forsyth referred to the score card category of improving efficiencies and asked Director Katen-Bahensky in which areas she was most proud and in which areas she felt the Hospital had not come as far as it might.
Director Katen-Bahensky responded that the length of stay ratio was one area of improvement of which she was proud. The patient navigators effort had facilitated progress in that area. She said cost per adjusted discharge and payroll costs continued to be challenging areas.

President Forsyth referred to the Lean Sigma Radiology Project. He said the Iowa Business Council was pleased that the Hospital was one of three organizations that had volunteered to participate in the activity. He then stated that it would be beneficial for the Board to be presented with the process improvement targets because he anticipates that great success will be achieved in that area.

President Forsyth referred to the category of financial strength, and stated that all but one measure had improved significantly. It had been an outstanding year for the Hospital, for which he commended Director Katen-Bahensky and her team.

Regent Downer referred to the score card category of workplace of choice and, specifically, benefits as a percent of total salaries. He asked how the figure compared to the University of Iowa as a whole. Director Katen-Bahensky responded that the figures were comparable.

Regent Arbisser pointed out it was impressive that at the same time the indicators were improving, the number of clinic visits were also increasing.

Dean Robillard provided an update on issues related to faculty recruitment and retention. He stated that, as of July 2004, the College of Medicine had 800 faculty, 262 of whom were clinical track faculty and 638 of whom were tenure track faculty. With regard to turnover of these two faculty groups from FY 2000-2004, total turnover was 5.8%. Tenure track faculty turnover declined from 4.5% in 2000 to 2.4% in 2004. There is higher turnover of clinical track faculty – 7-10.3% over the same period of time. He said clinical faculty is a younger track.

With regard to recruitment, Dean Robillard stated that, in February 2003 when he became Dean, there were three major failed searches: 1) Head of Emergency Medicine, 2) Director of Cardiothoracic Surgery and 3) Head of Internal Medicine. Each of those positions has been subsequently filled: 1) Dr. Eric Dickson from Boston University was recruited as Head of Emergency Medicine. 2) Dr. Mark Iannettoni from the University of Michigan was recruited as Director of Cardiothoracic Surgery. 3) Dr. Paul Rothman from Columbia University was recruited as Head of Internal Medicine.

In September 2003, the head of the Department of Pediatrics resigned from that position. In August 2004, the search was successfully completed with the hiring of Dr. Michael Artman from New York University. Dean Robillard stated that College of Medicine officials are in the process of completing recruitment of a new Head of Family Medicine. A final decision is expected in the next six to eight weeks. He said two other
searches are also underway: 1) Head of Surgery, which is anticipated to be completed by late-winter and 2) Head of Anesthesia, which is anticipated to be completed by mid-winter.

Dean Robillard stated there are two other clinical department searches underway: 1) Head of the Department of Dermatology and 2) Head of Ophthalmology. Both searches are anticipated to be completed by the summer of 2005.

Regent Downer asked if the relative proportions of clinical and tenure track positions have remained constant over time. Dean Robillard responded that there has been more rapid growth in clinical faculty than in tenure-track faculty.

President Forsyth asked for the average tenure of a department chair nationally. Dean Robillard responded that the average tenure nationally of a department chair is 10-15 years. In pediatrics and in internal medicine, the average tenure is 7-8 years. The majority of the University of Iowa’s department heads who have resigned have been at the University for at least 15 years.

Regent Becker stated that the turnovers provided an opportunity for a new dynamic to continue to improve the quality of program offerings.

Regent Nieland asked if gender issues impacted tenure, such as flexibility. Dean Robillard said Regent Nieland made a good point. Only 16% of the tenure track faculty are female. He noted that 46% of the medical students are female; last year the gender ratio for students was 50/50.

President Forsyth asked for comment on turnover in the Department of Surgery and, specifically, in the transplant program, plastic surgery and burns and trauma. Director Katen-Bahensky responded that a faculty member had been brought on board as a trauma surgeon who will also run the burn unit. A search has begun for a transplant division head.

Regent Arbisser said it was his understanding that the tenure of heads of burn programs was much shorter than for other clinical departments – perhaps only 2-3 years. Director Katen-Bahensky responded affirmatively. She said there are not many individuals in the country who meet the certification requirements for a burn unit.

Dean Robillard stated that recruitment has begun for a head of plastic surgery.

**ACTION:** Regent Arbisser stated the Committee received the Director’s report, by general consent.
Regent Arbisser asked if clarification was needed on the upcoming strategic plan update in light of President Forsyth’s earlier question about detailed tactical plans. Director Katen-Bahensky responded that the strategic plan update was scheduled to take place at the February meeting, although it would not include the tactical plans.

President Forsyth asked if faculty recruitment and retention as well as issues related to turnover would be addressed at the February meeting. Director Katen-Bahensky responded affirmatively.

President Forsyth asked if the Committee would be presented with information related to accounts receivable. Director Katen-Bahensky responded that accounts receivable information would be included in the financials section of the Director’s report. She noted that days in accounts receivable was now included on the institutional score card.

President Forsyth asked if a 10-year capital plan would be provided at the February meeting. Director Katen-Bahensky responded that there was currently only a five-year plan. Senior Associate Director Staley is hiring a consultant to assist in developing a 10-year and a 20-year facilities plan.

ACTION: Regent Arbisser stated the Committee received the report, by general consent.

August 2004 Update on University Hospitals Operations, Programs and Finances

Chief Operating Officer Rice presented an update on the financials, noting that the balanced score card was not as balanced as Hospital officials would like. She stated that turnover ratios were added to the score card category of workplace of choice, and noted that the RN vacancy rate had declined.

President Forsyth questioned why the employee turnover rate had increased by 50%. Chief Operating Officer Rice responded that inadequate information was known about the reasons for employees’ departure. More time will be spent analyzing the turnovers. She noted that many people leave for other positions in the University and in the Hospital.

Chief Operating Officer Rice next addressed the score card category of pursuing excellence. She said the following three indicators related to patient safety had been added: 1) medication safety index, 2) pneumococcal vaccination rate and 3) observed/expected mortality ratio. She noted that the score card will look better once a full quarter of data is obtained. In the category of financial strength, the following two measures were added: 1) net days in A/R and 2) earnings before interest, taxes, depreciation, amortization.
Director Katen-Bahensky pointed out that this was the first time the Hospital had openly provided information directly related to clinical quality indices. Regent Arbisser thanked Director Katen-Bahensky for providing that information.

Associate Director DeFurio stated that comparative accounts receivable trends as of August 2004 were quite positive. Admissions grew by 1.2%. Patient days grew by over 3%. Births grew by over 24%, which was partly due to the new birthing/labor/delivery area. While other outpatient volumes were relatively flat, an additional 3.1% in net revenues was generated. Expense growth was held to 4.4%.

Associate Director DeFurio addressed the comparative financial results for the July through August periods of the last three years. He noted that, in 2004, the operating margin was 3.1% and, in 2005, was anticipated to be 1.9%. Although it may appear that the operating margin will have eroded, the 2004 figure was prior to the recalculation of inflation factors. If one were to restate the previous accounting period, it probably would have been 0.6% to 0.8% for the equivalent time period last year.

Regent Arbisser asked about reviewing the accounting information in periods of 12 months rather than three months. Associate Director DeFurio said the Committee might also want to consider reviewing the income statement compared to budget as opposed to comparing to the prior year. If one were to compare to budget, revenues actually exceeded budget on a volume-adjusted basis. He then stated that Hospital officials would work to develop a better format.

President Forsyth asked for a definition of “other operating revenues”. Associate Director DeFurio responded that those revenues were primarily related to space rental and food service.

President Forsyth commended Hospital officials for funding depreciation.

Associate Director DeFurio reviewed comparative accounts receivable as of August 2004. He noted that this data would be incorporated into the Hospital report each time the Committee meets, allowing the Regents to track the major statistical trends in a global manner. In June 2003, net patient accounts receivable was at 100 days. The number of days has steadily declined since then, to 68 net days in accounts receivable as of the end of August. The goal for the current fiscal year is to end at 65 days. He said he expected the goal in the following year would be in the high-50s to 60 days in accounts receivable.

Regent Neil asked for the cause of the significant one-month drop – from 100 to 87 days in accounts receivable – from October to November 2003. Associate Director DeFurio characterized the period between March 2003 and October 2003 as the period of the most instability. It was the six months immediately post-conversion to the new accounts receivable system. Claims editing software began to be utilized in the October-November time frame, which began the improvement.

Regent Neil asked that the Committee be provided with accounts receivable figures broken out for Medicare and Medicaid.
President Forsyth said he understood the importance of the data from a management perspective but questioned how meaningful the data was from a Board perspective. More meaningful for the Board would be data about the status of accounts receivable, the status of bad debt, and what is not being collected that was expected to be collected.

Associate Director DeFurio stated that bad debt is generally tracked as a percentage of either gross charges or net charges. He then said the information which President Forsyth requested could be developed.

Regent Downer said it would be helpful for the Committee members to be provided with a bad debt number.

ACTION: Regent Arbisser stated the Committee received the Director's report, by general consent.

Report on Internal Management Review on Revenue Cycle and Expense Management

Associate Director DeFurio presented the results of the internal audit management review and external audit review of the revenue cycle and expense management. He discussed the internal audit management review of the revenue cycle and expense management programs and initiatives that were begun last fall. The University’s Internal Audit Office performed high-level assessments of the billing and collection functions of University of Iowa Hospitals and Clinics and of the College of Medicine Faculty Practice Plan, as well as the Hospital’s follow-up efforts to enhance its revenue and cost management.

Associate Director DeFurio stated the Hospital underwent conversion of billing systems in March 2003. Numerous issues surfaced during the system conversion, most notably an expected dramatic increase in days in accounts receivables, and decreased cash flow for both the Hospital and College of Medicine. Based on Internal Audit’s assessment, it appears that the Hospital and College of Medicine financial and operational management are well aware of the risk areas and are aggressively addressing them. Key areas for future improvements include:

- Credit balances should be continually monitored with both current and future credit balances resolved on a timely basis. Those credit balances that have been fully researched should be systematically flagged to avoid rework.

- Continue to develop and enhance the denial management process.

- Resolve the identified late charge issues.

- Continue to decrease manual processes throughout the revenue cycle.

To keep abreast with the progress of the various implementation processes and to measure their ongoing effectiveness, Associate Director DeFurio stated that Internal Audit is committed to performing formal audits of selected revenue cycle processes in the future.
President Forsyth asked if one was able to redo the changeover in billing systems, whether the redesign would have been undertaken before implementing the program. Associate Director DeFurio responded affirmatively. He stated the University of Iowa Hospitals and Clinics was the only academic medical center in the country using the new billing system at the time it “went live”. Today, there are six other academic medical centers using the same system in a combined business office environment.

President Forsyth asked if there was data available about the revenues that were lost as a result of the changeover in billing systems, particularly as a result of untimely filing of claims. Associate Director DeFurio stated that, for FY 2004, the timely filing deadline was missed on $40,000 of patient accounts, with a net collectible cash value of approximately $17,000 (0.007%). The weighted average industry standard for the Hospital's payor mix would be 0.8% due to lack of timely filing.

President Forsyth asked if the same was true for the Faculty Practice Plan. Associate Director DeFurio responded affirmatively. He said the weighted benchmark for the Faculty Practice Plan would be 0.5%; the University’s experience last year was 0.004%.

Associate Director DeFurio stated that a question he has been asked is if the Hospital has a continuing obligation to the Faculty Practice Plan, and the answer is no. He said the Hospital is a partner and jointly manages the Faculty Practice Plan process but does not guarantee the receivables.

Regent Arbisser pointed out that the faculty had benefited from the billing system conversion process.

Interim Director See expressed appreciation from the internal auditors for the cooperation of Hospital staff. He noted that rather than an audit being conducted, it was more a compilation of information.

Regent Arbisser expressed appreciation for the report of the internal auditors.

**ACTION:**
Regent Arbisser stated the Committee received the report, by general consent.

**Financial Plan and Capital Structure Discussion Including the UIHC Five-Year Capital Plan per Board Direction**

Director Katen-Bahensky stated that the final part of the Hospital's presentation related to capitals. She said Ken Kaufman, managing partner of Kaufman Hall, a financial planning consultant, and Barry Fick, Senior Vice President of Springsted, Inc., the Board’s financial advisor, would lead the Committee through a discussion of the financial plan and capital structure of the University of Iowa Hospitals and Clinics. The presentation, which included PowerPoint slides (Attachment A) was intended to build the rationale for issuing $75 million of variable rate debt in March 2005.
Mr. Fick discussed the overall financial position of the University of Iowa Hospitals and Clinics, the availability of additional debt, the capital management cycle, the critical relationships between strategy and financial capability, the UIHC’s credit position, a six-year summary of operations and a comparison of the AA bond rating key financial ratio.

President Forsyth asked how the average age of the plant is measured and what buildings came on line between FY 2000 and FY 2001 that would drive down the average age of the plant by over a year. Mr. Fick responded that the average age of the plant is calculated by an accounting measure to which IRS depreciation rules apply. Factors include the useful life of the facility, how long the facility has been in operation and equipment.

Mr. Kaufman stated that the essential questions of capital planning relevant to University of Iowa Hospitals and Clinics were as follows:

1) What are the UIHC’s anticipated capital requirements over the next 10 years?

2) How much cash should UIHC have?

3) How much debt can UIHC afford?

4) What are UIHC’s sources and uses of cash?

5) What is the magnitude of UIHC’s capital shortfall?

Associate Director DeFurio addressed the capital requirements. He first reviewed a slide which indicated the level of capital spending at the UIHC. Absent a strategic plan for capitals, there is currently $166 million of capital requests. He next presented a summary of the 1970-2014 phased capital replacement program and capital development plan financing. Approximately $690 million were invested from 1976 to 2004. Over $740 million in capital needs have been identified for the next ten years. He stressed that most of the funds for capital expenditures come from patient revenues.

Mr. Kaufman addressed the question of how much cash and cash reserves the UIHC should have. The FY 2005 cash target is $370 million; the FY 2014 cash target is $650 million, both of which represent 220 days of cash on hand.

Mr. Kaufman addressed the question of how much debt the UIHC can afford. He presented slides which provided a debt capacity overview and estimated 2004 potential debt capacity assuming maintenance of “AA” ratios.

Mr. Kaufman addressed the UIHC's sources and uses of cash, and the magnitude of the capital shortfall. He provided a capital position analysis for 2005-2014, data on average required annual cash flow versus historical cash flow, and a summary financial plan.
Regent Nieland asked why the Committee was being presented with this information before a capital plan is developed and approved. President Forsyth said it was his understanding that this was an educational session. Hospital officials will return to the Committee for further discussions.

Director Katen-Bahensky stated that University officials plan to request approval to proceed with planning for issuing $75 million in March 2005 calendar year. Prior to that time, there needs to be discussion about the use of the capital funds.

President Forsyth expressed preference to view today’s presentation as educational. At a later time, the Committee would discuss whether or not to proceed with bonding. He said it was unreasonable to expect to proceed with $750 million in capital expenditures, following only a brief discussion, and without a strategic plan for capitals.

Associate Director DeFurio stated that one purpose, but not the sole purpose, of this meeting is educational. He said it would be prudent for the Hospital to plan on issuing $75 million of debt next year, even if they spent no more capital funds after that. Hospital officials would like to at least have the general consensus for the direction in which the Hospital is heading so the ground work can be done. Hospital officials would certainly return to the Board for further discussion and a Board resolution to authorize proceeding.

President Forsyth asked for comment from President Skorton.

President Skorton stated that the main purpose of this session was to bring concepts to the Committee that might or might not be ready for approval by the Committee. Another purpose was to point out the position of UIHC in terms of debt compared to other institutions of similar activity and similar capital needs. University officials hope the Committee will see this strategy in general as an applicable strategy. He supports the strategy. He said University and Hospital officials understand the importance of bringing forward a strategic capital plan.

President Skorton stated, as a provider in the University of Iowa Hospitals and Clinics for 25 years, he knows that there are massive capital needs. Although he would not say that $740 million is exactly the right number, he said it was in the right order of magnitude.

President Forsyth first addressed any perceived conflict of interest by stating that Wellmark does not pay an add-on for capitals. He then said there is a need to invest heavily in the UIHC's facilities. The Regents need to have a better understanding of a number of issues before authorizing the University to prepare to have additional bonds issued. He was not suggesting that he would not support the $75 million in bonds that had already been authorized. There has to be an understanding of the non-capital facilities capital needs. There needs to be an understanding of funded depreciation because that is the largest (two-thirds) component of the cash flow. There needs to be an understanding of the current reserve levels and the minimum requirements. There needs to be an understanding of the strategic plan for capitals.
There needs to be an understanding of a number of strategic issues. One strategic issue is the size of the academic health center in terms of the University and the entire Regent enterprise. There has to be an understanding that the primary business is education and research. The academic health center has to be sized appropriately to fit the academic mission.

President Forsyth stated there are academic risks related to this. He suggested it might be beneficial to have Jordan Cohen, the head of the AAMC, to provide a presentation on the right balance.

President Forsyth stated the Hospital has insatiable capital needs because it has brilliant faculty. There is an issue of ownership and governance. There is a dynamic tension in terms of the needs of the clinical enterprise and the needs of the academic enterprise.

President Forsyth said the capital proposal will add dramatically to the cost structure. If there is a movement to consumer-driven health care, more costs will be shifted from employers to employees. Price is going to be a very major issue in the future. One has to look at the overall cost structure; pricing should relate to the cost structure.

With regard to capital application, President Forsyth stated the maximum that can be afforded and the minimum for a successful academic health center needed to be determined. The target investment would be somewhere in between those two and would meet the academic mission while remaining financially viable. He asked to be presented with an update on the level of capital funds that have been invested in the last 28 years in today’s dollars.

President Forsyth asked what is needed to meet the approved capital application. If the target is $740 million in projects, what is needed to meet that target? He referred to the slides of the average required annual cash flow versus historic cash flow, which indicated that the average annual cash flow requirement for 2005-2014 was $99.8 million if there were a 3% operating margin. Assuming compounding funded depreciation over the ten-year period, he said there would be $1,344,000,000 to work with over the next ten years if no bonding was undertaken. Therefore, one has to extrapolate back and determine whether bonding is necessary. There was a question of whether they should pay as they go or should bond. He acknowledged that there is a huge capacity to bond because of decisions made in the past.

President Forsyth suggested that, in light of smart financial management, there may be reasons to bond that have nothing to do with the capital plan, of which arbitrage requirements would be a factor.

President Forsyth stated that he did not want his comments to sound like he would not be supportive. However, it was premature to expect the Committee to grant approval to prepare to issue debt.
President Skorton expressed support for the idea of inviting Jordan Cohen to address the Committee. He said it would also be a good idea to invite a speaker from the Council on Teaching Hospitals. With regard to President Forsyth’s comments about the role and funding of the Hospital, President Skorton reminded Board members of the very important role the Hospital infrastructure plays in the academic mission of the University in the Colleges of Medicine, Dentistry, Nursing and Pharmacy, and other academic units. The Hospital has had a close relationship for the last forty years with curricular and research functions of the University.

Regent Arbisser asked that Hospital officials complete the educational presentation.

Mr. Kaufman addressed the appropriate relationship between fixed and variable rate debt and discussed a graph which illustrated the historical bond market association index and revenue bond index from March 1982 to August 2004.

President Forsyth stated his understanding was that current guidelines do not allow us to issue variable debt. He stated it was a broader question than the hospital for the entire Regent enterprise. He added that there might be other areas of the Regent enterprise that but rather matching up for variable debt going forward might be worth considering.

Mr. Fick replied that while he didn’t know of a formal policy, it’s been the general policy of the Board not to issue variable rate debt.

Vice President True added that on two other occasions variable rate debt was issued. One is a bond issue utility enterprise at the University of Iowa. The other was issued by the University of Iowa Facility Corporation for a project which is now known as the Eckstein Biomedical Research Building. Both of those were eventually swapped out to a fixed rate issue. They were both issued in 1986 as variable rate. Probably in aggregate $50 million.

Regent Downer provided his recollection that over the past 1-1/2 years the rates we’ve paid on the fixed rate debt issued at that time have been considerably below what this index indicates.

Mr. Fick agreed. He stated that while it is true that bonds issued by the Board of Regents on behalf of the institutions are revenue bonds, the benefit of a double exemption that the Regents enjoy allows them to receive an interest rate that is generally significantly lower than that, generally, at the level of AAA-rated entities and close to where a lot of GO issues stand. He added that Springsted monitors and issues a significant amount of variable rate debt for clients, in the past few years there has been a significant advantage to issuance of variable rate debt with other options. There are a number of non-debt issuance reasons to select with variable rate debt as an option. There are number of things to continue to explore and deal with in the future but even with as just noted the fact has been that over the past 15 years the average variable rate excluding today’s historic lows has been about 3.4 to 3.5%. The lowest fixed rate index on the bond buyer GO twenty year bond index has been just over 5%.
Regent Downer said that at the present time and at amounts that we’re talking about here, it’s hard to see rates going lower or potentially even remaining the same with what appears to be an economic recovery going on. The amount of federal deficits and other factors drive interest rates.

President Forsyth suggested consideration of an issue that could be retired and matched up against variable rate investments you’d make in publicly-traded debt, so you’d have a positive of x number of basis points. If all of a sudden that changed in some way you’d have the cash to retire your debt.

Mr. Kaufman added that you also would have the flexibility to act on that debt should it begin to rise to the level that you’re uncomfortable with, and could convert it.

Mr. Kaufman reviewed a table entitled, "Leverage Indicator for Select Academic Medical Centers."

Regent Neil said he would like to have a detailed plan of what is needed to take to keep our academic medical center to the standards that we’ve enjoyed through history.

Regent Arbisser asked the Committee to consider the recommended next steps.

President Forsyth expressed that a number of members have raised questions in terms of size, scope, and academic mission. President Forsyth suggested that President Skorton arrange to have a couple of people, including Jordan Cohen, come in and talk on these issues. We could have the next session to continue the discussion of educating the Board.

Regent Arbisser responded that would mean holding off for several months.

President Forsyth said his preference was not going forward with variable rate debt until more discussion and a decision is made by the Board.

Regent Vasquez stated that if the strategic plan is forthcoming, that will be helpful in considering options.

Executive Director Nichols asked for clarity on the preferred sequence of events. The calendar for bonding that the Board has given its tentative approval for 2005 includes action in the month of March $25 million of issuance of variable or fixed financing for the Hospital. In terms of a predictable and well-planned schedule for bonding, it will be less than ideal to wait until February to decide whether to move forward with that issuance or substitute something else, or do nothing in March. So we’ll need a process to get that decision timely made. We only have a fixed number of dates to proceed with all of the different bonding activities for the Regent enterprise.

Mr. Fick commented that if it is ultimately decided to use fixed rate debt, the timing of the issue becomes much more critical because the market for investors would be the
same as other Regent bonds. If the decision is made to go with variable rate debt, the
timing is much more flexible because the market for that debt is a different market than
typically purchases Board of Regents bonds.

President Forsyth suggested that since at the next meeting of the Board the investment
committee meets discussion then of fixed versus variable debt would be appropriate.

Regent Neil (chair of investment) agreed that could be done.

Mr. Fick stated he’d be pleased to do that in December.

Director Katen-Bahensky added that UIHC would start working on answering questions
as soon as possible.

Adjournment

The meeting adjourned at 5:35 p.m.