

Contact: Sheila Doyle

**REGISTER OF UNIVERSITY OF IOWA**  
**CAPITAL IMPROVEMENT BUSINESS TRANSACTIONS**

**Actions Requested:** Consider approval of the following actions for the **University Hospitals and Clinics – Institute for Orthopaedics, Sports Medicine and Rehabilitation Development** project, a major capital project as defined by Board policy.

1. Acknowledge receipt of the University's initial submission of information to address the Board's capital project evaluation criteria (see Attachment B);
2. Accept the Board Office recommendation that the project meets the necessary criteria for Board consideration; and
3. Authorize permission to proceed with project planning, including the architectural selection process.

**Executive Summary:** **The University Hospitals and Clinics – Institute for Orthopaedics, Sports Medicine and Rehabilitation Development (IOSMR)** project would consolidate in one location on the Hawkeye Campus (the University's far west campus located west of Mormon Trek Boulevard) the multi-disciplinary programs and services of the UI Sports Medicine Center (currently located on the lower level of the UIHC Pappajohn Pavilion) and other University rehabilitation services. (A map indicating the proposed location of the facility on the Hawkeye Campus is included as Attachment A.) The IOSMR would offer a multi-disciplinary program to respond to the growing need for patient care, education, and research in orthopaedics, sports medicine and rehabilitation. UIHC reports that demand for clinical services in these areas has grown in excess of 8 percent and 9 percent in each of the past two years, and is expected to continue for the foreseeable future.

The facility would offer comprehensive diagnostic, treatment, and physical therapy/rehabilitation services for ambulatory orthopaedic patients, the general public, University of Iowa athletes, and other public and privately-sponsored athletic programs. All patients would be treated by the same physicians and other health care professionals who serve the Hawkeye athletic teams.

The principal goal of the IOSMR, which would be a component of the UIHC Department of Orthopaedics and Rehabilitation, would be to provide the most comprehensive university-based sports medicine service in Iowa and the Midwest. UIHC expects the expanded access to these services to generate further growth in the services offered by the Department of Orthopaedic Surgery and other clinical departments.

It is intended that the following multi-disciplinary programs and services would be consolidated within the IOSMR:

- University of Iowa Sports Medicine Center
  - Diagnosis/management of primary through tertiary-level musculoskeletal sports medicine injuries;
  - Primary care for illnesses and other conditions commonly associated with exercise and athletics;
  - Sports medicine specialists for pediatric, geriatric, and female athletes;
  - Diagnostic imaging; and
  - Medical soft goods and braces, foot orthotics, and shoewear modification.
  
- University of Iowa Sports Medicine and Other Rehabilitation Services
  - Physical therapy;
  - Athletic training services for a number of local sports teams/events;
  - Performance enhancement and injury prevention programs; and
  - Fitness and wellness programs, nutrition counseling, sports psychology.
  
- Selected other orthopaedic and rehabilitation clinical services for ambulatory patients.

The facility may also include space for specialty athletic training and performance enhancement services, and multi-disciplinary clinical research. The project may also develop a computer facility for use by the UIHC Department of Health Care Information Systems and the University's Information Technology Services. The decision to include these additional functions will be determined during development of the building program prior to its submittal to the Board Office for approval.

The University reports that there is not sufficient space on or near the main UIHC campus to house the consolidated functions of the IOSMR. After reviewing site options, the University wishes to construct the IOSMR facility on the Hawkeye Campus, the University's far west campus which houses the Hawkeye Drive and Hawkeye Court apartments, the Karro Athletic Hall of Fame, Hawkeye Tennis and Recreation Complex, and several recreation fields. The University believes this site would provide an optimal location due to the sports-related focus of the Hawkeye Campus. The rapid expansion of intercollegiate, club and intramural athletic programs in this area would allow the IOSMR to expeditiously serve these populations, and meet the sports medicine needs for the community's organized and recreational athletic activities. Other benefits of the Hawkeye Campus location include the ease of accessibility and convenience for patients; the available area for development of the initial building, any future space, and parking; and more reasonable project costs.

The rehabilitation component of the IOSMR would respond to the need for expanding post-procedural and post-hospitalization services that cannot be met within the current UIHC facilities. In addition, the IOSMR would provide a state-of-the-art setting for training and rehabilitation, physical therapy, exercise science and other disciplines; it would ultimately provide the necessary facilities for fostering the development of innovative clinical research programs to enhance caregiver capabilities.

In a second phase of the project (which is not a part of this request), the IOSMR may be expanded to include facilities for specialty athletic training and performance enhancement services, and for multi-disciplinary clinical research. The timetable for this phase, its financing, and other details, remain to be determined.

Questions regarding the proposed project were raised at the March UIHC Committee meeting. The questions and the UIHC responses are included as Attachment C.

The University envisions construction of a facility of approximately 26,000 gross square feet; however, the actual size of the facility would be further refined during project planning. The anticipated project cost of \$5,975,000 would be funded by University Hospitals Building Usage Funds. UIHC anticipates additional costs for radiology equipment for the IOSMR estimated at approximately \$3 million.

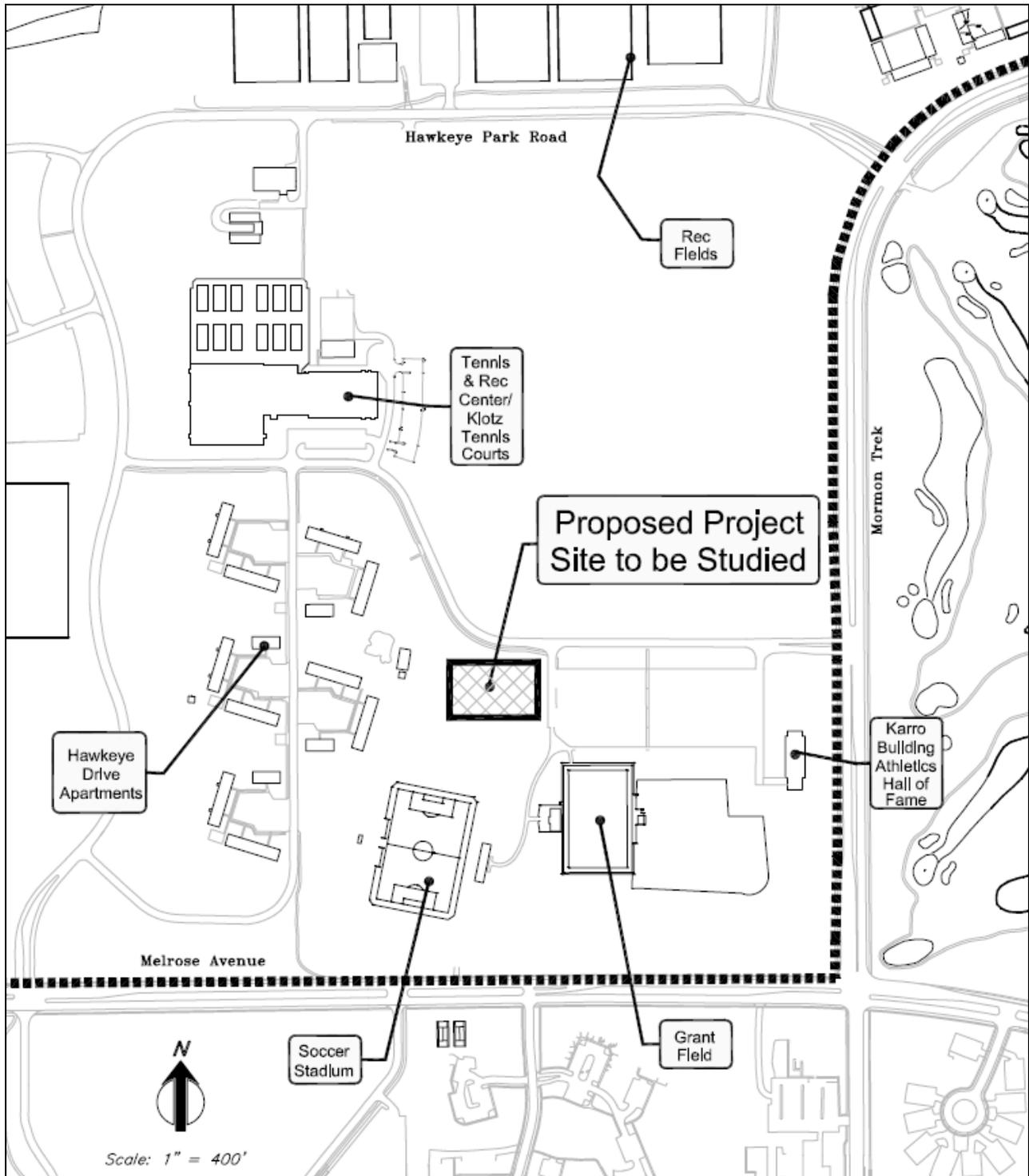
**Details of Projects:**

**University Hospitals and Clinics – Institute for Orthopaedics, Sports Medicine and Rehabilitation Development**

Project Summary

	<u>Amount</u>	<u>Date</u>	<u>Board Action</u>
Permission to Proceed with Project Planning		May 2007	Requested

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**Legend**

----- Hawkeye Campus Boundary



**THE UNIVERSITY OF IOWA**  
*SportsMed2007.dwg*  
PLOTTED March 30, 2007

LOCATION MAP

INSTITUTE FOR ORTHOPAEDICS,  
SPORTS MEDICINE AND  
REHABILITATION DEVELOPMENT- PHASE I

**University Hospitals and Clinics – Institute for Orthopaedics, Sports Medicine and  
Rehabilitation Development**

Evaluation Criteria

Since the project meets the Board's definition of a major capital project, the University has provided the following information in response to the Board's evaluation criteria.

Institutional Mission/Strategic Plan: Sports medicine is defined as the care and treatment of sports- or activity-related injuries. These services have been provided at the UIHC, predominately through the Department of Orthopaedics and Rehabilitation, for over 30 years. Beginning with the provision of prevention, treatment and rehabilitative services to University of Iowa intercollegiate, intramural and recreational athletes, these sports medicine services have expanded over time to include programs for locally sponsored sports teams and recreational athletes of all backgrounds and ages. In addition, the provision of this type of proactive ambulatory care is designed for, and will be of significant benefit to, all Iowans interested in maintaining or increasing their current level of physical activity.

To meet the Department of Orthopaedics and Rehabilitation's goal of developing a comprehensive orthopaedic, sports medicine and rehabilitation program for elite to recreational athletes (including the increasingly more active "boomer" population as well as female and adolescent athletes), the Department will require new facilities that can adequately meet the current Sports Medicine Center's growing clinical service responsibilities, which include the prevention, treatment and rehabilitation of sports and activity-related injuries. The new facilities will also support the Sports Medicine Center's educational service obligations and, in a later phase, its clinical research mission. The IOSMR is consistent with the UIHC's patient care, education and research missions and is aligned with the strategic vision to provide innovative care, excellent service and exceptional outcomes.

The cornerstone of the IOSMR is to provide superior patient care with exemplary service and convenient access. Patients of all ages will be provided with state-of-the-art diagnostic and rehabilitation services designed to identify the underlying pathology and to develop a comprehensive, multi-disciplinary treatment plan that is grounded in evidence-based clinical rationale and specifically tailored to meet a particular patient's needs. The IOSMR project supports several of the UIHC's Strategic Plan goals, most notably by providing a continuously improving, safe environment for all patients and staff; by providing the necessary facilities for developing and implementing new and more efficient healthcare delivery models that emphasize a quality-driven patient experience, and by implementing a facilities plan that supports the projected future needs for the UIHC and provides facilities that enhance a patient-centered experience, in conjunction with UIHC's goals. This initiative is also consistent with UIHC's efforts to deliver patient-centered care and will meet the needs of an aging population that increasingly engages in physical exercise and sport activity to maintain health and well-being.

The IOSMR will meet its educational mission by offering on-site and outreach programs for patients, residents of Iowa, health care professionals, and students training for degrees in athletic training or the health care professions. An affiliation has already been established between the IOSMR and the Department of Exercise Science within the UI College of Liberal Arts and Sciences to permit Athletic Training Program students to participate in educational and training opportunities within the IOSMR. Students from programs within the Colleges of Medicine, Dentistry, and Nursing and residents and fellows from a number of clinical departments will also benefit from access to educational programs and training provided by IOSMR faculty and staff. Post-graduate fellowships in Orthopaedics, Primary Care, or Rehabilitation Sports Medicine will be enhanced through this comprehensive approach.

While the scope of research activities that may be incorporated in the program for the IOSMR will be determined through planning for a second phase of this development, in undertaking this final component of its mission, the IOSMR will follow established practices of its parent department, the Department of Orthopaedics and Rehabilitation, by conducting research in musculoskeletal disorders. Development of the IOSMR may further the Department's reputation for innovative research by allowing for collaborative clinical research projects between IOSMR staff and faculty of the Carver College of Medicine, the Graduate Program in Physical Therapy and Rehabilitation, and the Department of Exercise Science. The new IOSMR may also facilitate research and development activities such as those now being undertaken with the College of Engineering to develop a virtual reality rehabilitation program and with the Department of Orthopaedics and Rehabilitation's Cell and Molecular Biology Laboratory to develop new cartilage solutions.

Other Alternatives Explored: The enhanced orthopaedic, sports medicine and rehabilitation patient care, teaching and research initiatives embodied in the development of the IOSMR can only be accomplished through the assignment of additional space that is not available on the main UIHC campus. A location within new construction in the south end zone expansion at Kinnick Stadium was evaluated but was ruled out due to cost, lack of adequate visibility and parking, and lack of sufficient space to meet the IOSMR's programmatic needs. A location at the University's Hawkeye Campus is accessible and convenient for patients, provides adequate space to accommodate the necessary Phase I and future Phase II building space and adjacent parking, and can be developed at a more reasonable cost. The development of the IOSMR on the Hawkeye Campus is consistent with the University's long-term master plan for this campus as a sports and recreation area. The IOSMR is unique because of its close relationship with university athletics, recreational sports and fitness facilities. The site's proximity to several athletic complexes, the new fitness center, biking trails, Finkbine Golf Course and the UIHC makes it a desirable location, while the affiliation with the Hawkeyes creates an opportunity that promotes relationship-building and economic development by implementing UI Hospitals and Clinics' innovations in settings outside the UI Hospitals and Clinics campus.

Impact on Other Facilities and Square Footage: On completion of this project, approximately forty-eight hundred gross square feet of space on the lower level of Pappajohn Pavilion now utilized for sports medicine patient care clinic and rehabilitation services will be reassigned for use in meeting other UIHC space needs.

Financial Resources for Construction Project: The IOSMR's clinic, imaging, physical therapy/rehabilitation, and associated supporting facilities will be funded through University Hospitals Building Usage Funds acquired from depreciation allowances of third parties underwriting the cost of patient care plus hospital net earnings from paying patients. Additionally, hospital revenue bond proceeds may be utilized. No state capital appropriated dollars will be involved. The estimated internal rate of return over the life of this project is 9.5%.

Financial Resources for Operations and Maintenance: The source of funds to cover the associated operating and maintenance costs of the clinic, imaging and rehabilitation facilities will be University Hospital operating revenues derived from providing patient care services.

External Forces: A comprehensive analysis of UIHC's market area indicates sports medicine services, including promotion of health and wellness, ambulatory treatment of musculoskeletal and medical disorders, and minimally invasive surgery are strong areas of patient need and thus potential areas for future growth. This project will provide the IOSMR with the necessary space to meet the projected growth in patient service volume and provide a more comprehensive array of clinical services and programs.

**LIST OF QUESTIONS AND RESPONSES  
INSTITUTE OF ORTHOPAEDICS  
SPORTS MEDICINE AND REHABILITATION**

Following a review of the materials submitted for the Hospital Committee the following questions have been posed regarding the Institute of Orthopaedics Sports Medicine and Rehabilitation:

1. What are the sources of the funding for the facility? Is there any philanthropy involved?

Funding for phase one of the Institute for Orthopaedics, Sports Medicine and Rehabilitation (IOSMR), which includes the clinic, imaging, physical therapy/rehabilitation and associated supporting facilities, will be funded through University Hospitals Building Usage Funds acquired from depreciation allowances of third parties underwriting the cost of patient care plus hospital net earnings from paying patients. Additionally, hospital revenue bond proceeds may be utilized. No state capital appropriated dollars will be involved. The sources of funding for other phases will include philanthropy and will be determined at the time those components are developed. Phase I of the facility will be paid for using Patient Care Revenues (self-generated funds).

Preliminary Cost Estimates

Phase I	
Construction Project	<b>\$ 5,975,000</b>
Radiology Equipment	\$ 2,981,000
Phase II (Research and Sports Enhancements)	
Construction Project	<u>\$ 5,073,000</u>
Total Project including Phase I & II	\$14,029,000

2. What projections of receipts and expenses, including the cost of debt service, have been made in ascertaining the anticipated "incremental margin by combined revenue source?"

Receipts and expenses in this business model are generated by outpatient surgical procedures, clinic visits, rehabilitation services, diagnostic imaging and inpatient care. UIHC used its cost accounting system (TSI) to determine contribution margin per case for patients who will receive care across this continuum of services. This system includes all receipts and expenses for patients who receive this care, including the cost of debt service.

3. How have the anticipated building costs been estimated?

The anticipated building costs were determined based on the projected size of the Phase I structure using site development costs and standard costs per square foot benchmarks. Cost figures will be further developed and refined as planning proceeds.

4. What impact will this have on the remainder of the Department of Orthopaedics which, presumably, will remain within the Hospital? I would anticipate that this would have some impact on their revenues, expenses, number of patients, etc.

The IOSMR will be a component of the Department of Orthopaedics and Rehabilitation, as with the current Sports Medicine Center, operating within the organizational, financial, and administrative structure of the UIHC. Many services will remain hospital based, including surgical procedures.

Development of the IOSMR will enhance the department in every aspect; it is expected to increase revenues as well as patient referrals to all other components of Orthopaedics. It is expected that improved access to high quality orthopaedic care delivered by the IOSMR will generate growth of services in Orthopaedics and other clinical departments at UIHC.

On completion of Phase I of the IOSMR project, 4,800 DGSF currently occupied by the Sports Medicine Center will be reassigned for use in meeting other UIHC space needs.

5. Has any independent or external assessment been made with respect to the financial viability of this proposal?

As with all UIHC projects, this business plan, including an assessment of financial viability, was developed by staff from the involved department (in this case, the Department of Orthopaedics and Rehabilitation) along with UIHC Finance and Accounting Services, the Office of Strategic Relations, the Joint Office of Marketing and Communications, Hospital Administration and Capital Management. The proposal was reviewed and endorsed by UIHC's Capital Allocations Committee. In creating the proposal, UIHC referenced materials provided by Kurt Salmon Associates regarding the creation of a comprehensive, off-site sports medicine center. Site visits were made to other successful sports medicine centers, including the Universities of Michigan, Utah and Florida. Discussions also occurred with hospital administrative staff and individuals from the Navigant consulting group.

Many of the nation's premier academic sports medicine centers are similar in concept to the IOSMR in the creation of a patient-centered care delivery model where patient care, education and research missions are fulfilled. The successful University of Florida Shands Orthopaedics and Sports Medicine Institute is a spacious 127,000 square foot facility that opened to the public in September, 2004. Over 250 medical and support staff work collaboratively to treat a full range of musculoskeletal conditions. The University of Utah created a premier facility on campus, but separate from the main University Hospital, where orthopaedic care is provided. Other universities that have developed the multidisciplinary provider model of care including Michigan, Ohio State University, Emory, and the University of Pittsburgh.

6. As was discussed at the Board Committee meeting, it appears that this is a "pioneering venture" for UIHC and that it may well be followed by other departments having similar plans. It has been indicated to Regent Downer that Director Katen-Bahensky and Vice President/Dean Robillard have ideas with respect to a combined facility for other departments, which would not be joined with this one. It appears that the long-range planning in this regard should be articulated, including reasons why it is not felt to be appropriate to locate this facility with similar centers for other departments.

While off-site strategies are being explored and developed for other clinical services, the Hawkeye campus is the optimal location for the IOSMR. The site location, near several athletic complexes, the new fitness center, biking trails, Finkbine Golf Course, and close proximity to UIHC make it a desirable location for this type of venture. The development of the IOSMR on the Hawkeye campus is also consistent with the University's long-term master plan for the Hawkeye Campus as a sports and recreation area. The IOSMR is unique because of its close relationship to university athletics, recreational sports and fitness facilities. The athletic theme, accessibility of the location and the affiliation with the Hawkeyes create an opportunity that will meet existing and future patient needs, promote relationship-building and economic development and implement UI Hospitals and Clinics' innovations in settings outside the UI Hospitals and Clinics campus.

The IOSMR's tie with other University academic and athletic programs makes the proposed location ideal. Its close proximity to the hospital and the co-location with UI athletic services will provide benefit to all Iowans, including University athletes and staff.

Other alternative locations were explored, such as the south end zone of Kinnick stadium, but were found to lack adequate visibility and parking, as well as sufficient space to meet the IOSMR's programmatic needs. The Hawkeye location is accessible and convenient for patients, provides adequate space to accommodate both Phase I and II, has adjacent parking, and can be developed at a more reasonable cost.

7. Is this covered in the Hospital's strategic plan and, if so, what priority is given to it?

The development and creation of an IOSMR is a top priority which aligns with the strategic plans of both the UIHC and the CCOM. The innovative care strategic plan initiative sets forth a care delivery goal stating that UI Hospitals and Clinics will be recognized as a state and national leader in developing and implementing new and more efficient health care delivery models that emphasize a quality-driven patient experience. The project was included as a component of UIHC's FY 2007 capital plan and was strongly endorsed by the Capital Allocations Committee and senior leadership for funding in FY 2008.

8. In light of the vacancy in the CFO position, will this unduly tax Hospital resources in the financial area?

No. Research, planning, and development of the proposal for an IOSMR have been and continue to be part of a long term capital and financing process. All UIHC projects are fully evaluated by finance officers whether or not the CFO position is filled on a permanent basis or on an interim basis as it is currently. This proposal has and will continue to follow the capital budget and allocation processes developed by UIHC, the University of Iowa, and the Board of Regents, State of Iowa.

9. Isn't the development of IOSMR an unnecessary duplication of services that already exist in the corridor area and throughout Iowa?

No. The Institute will replace the existing Sports Medicine Center at UIHC. It will provide the necessary facilities to accommodate growth in clinic services, which has risen in excess of eight and nine percent in the past two fiscal years respectively and which is expected to continue for the foreseeable future. Location of the Institute on the Hawkeye Campus among a rapidly expanding number of intercollegiate, club and intramural athletic programs will provide the capability for expeditiously serving these populations as well as conveniently meeting the sports medicine needs of individuals from the community and surrounding general service area who are engaged in organized and recreational athletic activities. The rehabilitation component of the new "Institute" will also meet a need for expanding post-procedural and post-hospitalization services that cannot be met within the current UIHC facilities. In addition, the Institute will provide a state-of-the-art setting for training future medical and healthcare professionals in orthopaedics and rehabilitation, physical therapy, exercise science and other disciplines; and it will ultimately provide the necessary facilities for fostering the development of innovative clinical research programs that will enhance caregiver capabilities in the years ahead.

10. How long would it take to complete this project if another location was required?

The time required to identify another location could be a matter of a few months or much longer. The current location is the ideal site where the IOSMR can integrate into a larger campus with an intensive focus on service to competitive and recreational athletes. This site presents a unique opportunity for the IOSMR to fulfill its mission of public service to Iowans and the University of Iowa's competitive athletes as well as achieve its vision for integrating the patient care, education and research missions in orthopaedics, sports medicine and rehabilitation.

The West campus has been a part of the University of Iowa for many years. For a very long time these grounds have been planned to support intercollegiate, club and intramural/recreational sports activity that continues to grow on campus. Locating the Institute at this site achieves very natural, productive relationships between the UIHC, the Carver College of Medicine, the Graduate Program in Physical Therapy and the University of Iowa's Department of Athletics.

11. How was acquisition of this land financed by the University?

The land was purchased by the University years ago and in the master strategic plan was designated as an area for sports and recreation. The University believes the addition of the IOSMR is consistent with the strategic plan for the West Campus.

12. Does placing the Institute in this location result in unnecessary fragmentation of the care delivery model?

No. The IOSMR will provide a more convenient and accessible location where patients receive multidisciplinary care for sports related injuries and illnesses.

### Summary

The IOSMR is consistent with UIHC's patient care, education and research missions and is aligned with the strategic vision to provide innovative care, excellent service and exceptional outcomes. Foremost, the Institute will offer exceptional, multidisciplinary care in an academic environment dedicated to advancing the science of medicine for the diagnosis, treatment, and rehabilitation of orthopaedic patients. This initiative is consistent with UIHC's efforts to deliver patient-centered care and will meet the needs of an aging population that increasingly engages in physical exercise and sport activity to maintain health and well-being. The Institute will be a unique resource where professionals and scientists from many University departments and programs (Orthopaedics and Rehabilitation, Graduate Program in Physical Therapy, Exercise Science, University Athletics and Engineering) may collaboratively foster the development of future research and academic training programs. Co-location of professionals engaged in the tripartite mission of the IOSMR fosters the training of future physicians and other health professionals as well as allowing for collaborative research and care.