

*BOARD OF REGENTS  
University of Iowa Hospitals and Clinics  
Executive Board Committee*

May 18, 2004

Persons in attendance (not all-inclusive):

Committee members: Amir Arbisser (Chair), Robert Downer, Owen Newlin, Sue Nieland, Deborah Turner (by phone), John Forsyth – ex officio

Others: David Neil, Greg Nichols, Pam Elliott, Tom Evans, Deb Hendrickson, Joan Racki, Tony Girardi, Elaine Newell, Barb Boose, David Skorton, Doug True, Donna Katen-Bahensky, Ann Madden Rice, Luann Woodward

Regent Arbisser called the meeting to order at 1:05 p.m.

Draft Committee Responsibilities

The draft responsibilities of the University of Iowa Hospitals and Clinics (UIHC) Executive Board Committee were approved as guidelines for the Committee.

Draft Committee Work Plan

Committee members would like to have a more active role in developing future agendas for its meetings. An ongoing concern is how to integrate the strategic planning process at the Hospital with the Committee's plan. At the August meeting, the next steps will be explored.

Director's Report

Director Katen-Bahensky reported on the key issues for third quarter FY 2004, which included magnet hospital designation; increasing access; new facilities for labor and delivery, neonatal and pediatrics intensive care units; staff development; recruitment; statewide relationships; and, finances.

Quarterly Update on University Hospitals Operations, Programs, and Finances

Associate Director Rice presented an update on the goal areas of "workplace of choice", "pursuing excellence", "improving efficiencies" and "financial strength" for the nine months ending March 31, 2004, compared to the same period in fiscal years 2002 and 2003. Patient care activity is projected to increase in FY 2005. Costs – particularly salaries, benefits, supplies and implants – are expected to increase.

FY 2005 Hospitals and Clinics Operating Budget Issues and Proposed Rate Increases

Senior Associate Director DeFurio presented the key operating indicators for FY 2004, reviewed budget issues/assumptions for FY 2005 and presented the UIHC's request for a gross charge increase for FY 2005 of 9.5%. The FY 2004 operating margin is projected at 1.6%. He explained the decline in operating margin over the past four years, and how the goal operating margin of 3% could be attained.

Senior Associate Director DeFurio said the new patient billing system has been in place for approximately three months. Once the backlog of accounts is addressed (18 months to two years), the expectation is that patient accounts will be processed in 60 to 69 days, with a goal of improving that to 55 days.

Senior Associate Director DeFurio stated that inpatient admissions and outpatient visits were expected to increase in FY 2005. Length of stay is projected to decrease by one-half day. The payer mix is anticipated to remain stable as is the state appropriation level. There is a potential for drug cost inflation. He said salary and fringe benefit costs were anticipated to increase by 4-6%. It was expected there would be no increase in the usage of agency nurses. Length of stay was projected to decrease. Supply chain efficiencies through consolidation of vendors were anticipated to occur in FY 2005. Inflationary increases were expected in drug and medical supplies/implants (4-10%) and in utilities (6-10%).

Senior Associate Director DeFurio advised the Committee that a 9.5% rate increase was necessary to cover inflationary costs and to continue with current initiatives. He said the University of Iowa Hospitals and Clinics continues to lag academic medical center peers and historical statewide rate increases. University HealthSystem Consortium members anticipate rate increases in the 7-20% range, averaging greater than 10%. He noted that the proposed 9.5% rate increase translates to less than 1.5% actual increase in net patient revenue.

Committee members discussed the pros and cons related to approval of the proposed rate increase.

President Forsyth asked that future reports to the Committee be presented with either gross numbers or net numbers, not a mixture of each. He asked that Iowa hospitals be included as benchmarks in future reports. He said it would be helpful to receive data from the past five years and projections for the upcoming five years, as well as a comprehensive capital plan.

Regent Newlin advised the Committee that if a 3% operating margin is not attained, the University of Iowa Hospitals and Clinics may risk losing its Aa bond rating.

Regent Arbisser complimented Director Katen-Bahensky and her staff for their hard work and cooperation.

MOTION:

Regent Downer moved to recommend that the Board of Regents approve the 9.5% increase requested by the University of Iowa for its Hospitals and Clinics, Psychiatric Hospital and the Center for Disabilities and Development. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

Meeting adjourned at 3:50 p.m.

  
Pamela M. Elliott  
Director, Business and Finance

  
Gregory S. Nichols  
Executive Director

h:minutes/uihcxecutiveboard/051804