

## BOARD OF REGENTS, STATE OF IOWA UIHC COMMITTEE MEETING

April 18, 2007

8:30-11:30 a.m.

Clasen Memorial Board Room UIHC

Iowa City, Iowa

- |   |   |
|---|---|
| I. Introductory Comments and Review of Prior Meeting Minutes                            | Regent Robert N. Downer, Chair<br>Donna Katen-Bahensky, Senior Vice President of Medical Affairs and Chief Executive Officer - UIHC                     |
| II. Operating and Financial Performance YTD February 2007                               | Donna Katen-Bahensky  |
| III. Vision for Ambulatory Care Access  | Jean Robillard, Vice President for Medical Affairs, Dean CCOM   |
| IV. Institute of Orthopaedics, Sports Medicine and Rehabilitation Additional Discussion | Donna Katen-Bahensky  |
| V. FY 2008 Proposed Budget Presentation   | Donna Katen-Bahensky<br>JoEllen Browning, Manager, Financial Analyst, UIHC  |
| VI. IowaCare and Legislative Update   | Donna Katen-Bahensky<br>Stacey Cyphert, Special Advisor to the President,<br>Special Advisor to the Dean of CCOM,<br>Senior Assistant Hospital Director |
| VII. CEO Remarks  | Donna Katen-Bahensky  |

# **Operating and Financial Performance**

## **Year-to-Date February 2007**

**Donna Katen-Bahensky**

Senior Associate Vice President for Medical Affairs  
and Chief Executive Officer - UIHC

# Volume Indicators

## July 2006 through February 2007

	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
<b>Operating Review (YTD)</b>							
Admissions	18,227	17,032	16,888	1,195	7.0% ●	1,339	7.9% ●
Patient Days	121,054	110,379	114,105	10,675	9.7% ●	6,949	6.1% ●
Length of Stay	6.64	6.48	6.76	0.16	2.5% ○	(0.12)	-1.7% ○
Average Daily Census	498.16	454.23	469.57	43.93	9.7% ●	28.60	6.1% ●
Surgeries - Inpatient	7,178	6,860	6,725	318	4.6% ●	453	6.7% ●
Surgeries - Outpatient	7,185	7,256	7,114	(71)	-1.0% ○	71	1.0% ○
Emergency Treatment Center Visits	25,377	23,382	22,761	1,995	8.5% ●	2,616	11.5% ●
Outpatient Clinic Visits	450,842	436,924	438,531	13,918	3.2% ●	12,311	2.8% ●
Case Mix	1.7522	1.7360	1.7474	0.0162	0.9%	0.0048	0.3%
Medicare Case Mix	1.9485	1.8797	1.9021	0.0688	3.7%	0.0464	2.4%

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

# Comparative Financial Results

## July 2006 through February 2007



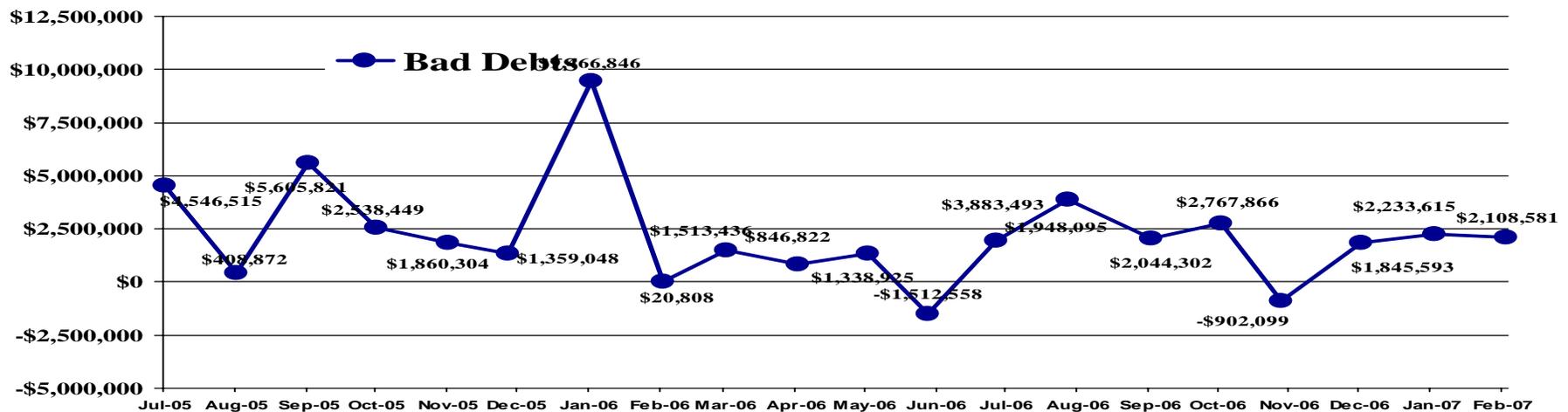
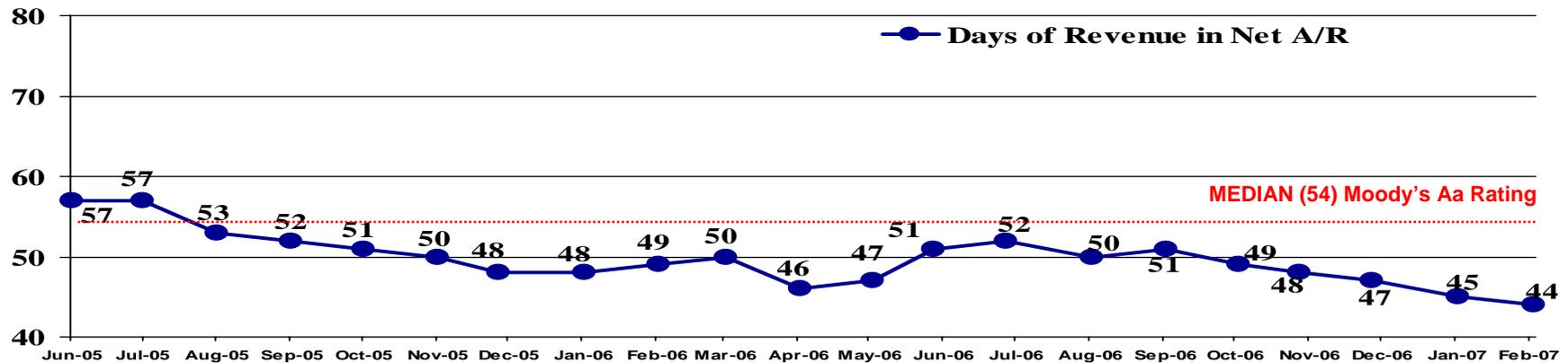
NET REVENUES:	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Patient Revenue	\$492,760	\$467,795	\$438,904	\$24,965	5.3%	\$53,856	12.3%
Appropriations	8,938	8,938	8,938	0	0.0%	0	0.0%
Other Operating Revenue	26,350	26,216	25,429	134	0.5%	921	3.6%
<b>Total Revenue</b>	<b>\$528,048</b>	<b>\$502,949</b>	<b>\$473,271</b>	<b>\$25,099</b>	<b>5.0%</b>	<b>\$54,777</b>	<b>11.6%</b>

EXPENSES:	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Salaries and Wages	\$266,614	\$259,906	\$243,822	\$6,708	2.6%	\$22,792	9.4%
General Expenses	191,210	191,939	178,818	(729)	-0.4%	12,392	6.9%
Operating Expense before Capital	457,824	451,845	422,640	5,979	1.3%	35,184	8.3%
<b>Earnings Before Depreciation, Interest, and Amortization (EBDITA)</b>	<b>70,224</b>	<b>51,104</b>	<b>50,631</b>	<b>19,120</b>	<b>37.4%</b>	<b>19,593</b>	<b>38.7%</b>
Capital- Depreciation and Amortization	38,942	36,175	33,962	2,767	7.7%	4,980	14.7%
Total Operating Expense	\$496,766	\$488,020	\$456,602	\$8,746	1.8%	\$40,164	8.8%

<b>Operating Income</b>	<b>\$31,282</b>	<b>\$14,929</b>	<b>\$16,669</b>	<b>\$16,353</b>	<b>109.5%</b>	<b>\$14,613</b>	<b>87.7%</b>
<b>Operating Margin %</b>	<b>5.9%</b>	<b>3.0%</b>	<b>3.5%</b>	<b>2.9%</b>	<b>96.7%</b>	<b>2.4%</b>	<b>68.6%</b>
Gain (Loss) on Investments	16,048	6,536	6,382	9,512	145.5%	9,666	151.5%
Non-Recurring Items	0	0	1,830	0	0.0%	(1,830)	-100.0%
<b>Net Income</b>	<b>47,330</b>	<b>21,465</b>	<b>24,881</b>	<b>25,865</b>	<b>120.5%</b>	<b>22,449</b>	<b>90.2%</b>
<b>Net Margin %</b>	<b>9.0%</b>	<b>4.3%</b>	<b>5.3%</b>	<b>4.7%</b>	<b>109.3%</b>	<b>3.7%</b>	<b>69.8%</b>

# Comparative Accounts Receivable at February 28, 2007

	June 30, 2005	June 30, 2006	February 28, 2007
Net Accounts Receivable	\$93,964,049	\$95,976,921	\$89,210,936
Net Days in AR	57	51	44



## Admissions by Clinical Department

### July 2006 through February 2007

	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
<b>Operating Review (YTD)</b>							
Family Medicine	642	514	485	128	24.8% ●	157	32.4% ●
General Surgery	2,065	1,901	1,860	164	8.6% ●	205	11.0% ●
Internal Medicine	5,218	4,830	4,797	388	8.0% ●	421	8.8% ●
Neurology	913	722	691	191	26.5% ●	222	32.1% ●
Neurosurgery	1,340	1,424	1,417	(84)	-5.9% ●	(77)	-5.4% ●
Obstetrics/Gynecology	1,970	1,724	1,671	246	14.3% ●	299	17.9% ●
Ophthalmology	64	68	67	(4)	-6.0% ●	(3)	-4.5% ●
Orthopaedics	1,551	1,367	1,383	184	13.5% ●	168	12.2% ●
Otolaryngology	390	467	472	(77)	-16.5% ●	(82)	-17.4% ●
Pediatrics	1,649	1,478	1,503	171	11.6% ●	146	9.7% ●
Psychiatry	1,456	1,540	1,542	(84)	-5.5% ●	(86)	-5.6% ●
Cardiothoracic	353	368	363	(15)	-4.0% ●	(10)	-2.8% ●
Urology	481	461	463	20	4.4% ●	18	3.9% ●
Other	135	168	174	-33	-19.6% ●	(39)	-22.4% ●
<b>Total</b>	<b>18,227</b>	<b>17,032</b>	<b>16,888</b>	<b>1,195</b>	<b>7.0% ●</b>	<b>1,339</b>	<b>7.9% ●</b>

 Greater than 2.5% Favorable	 Neutral	 Greater than 2.5% Unfavorable
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## Inpatient Surgeries – by Clinical Department

### July 2006 through February 2007

	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
<b>Operating Review (YTD)</b>							
Cardiothoracic	659	615	584	44	7.2% ●	75	12.8% ●
Dentistry	83	80	82	3	4.3% ●	1	1.2% ○
Dermatology	0	0	0	0	0.0% ○	0	0.0% ○
General Surgery	1,813	1,717	1,668	96	5.6% ●	145	8.7% ●
Gynecology	526	425	403	101	23.9% ●	123	30.5% ●
Internal Medicine	0	0	0	0	0.0% ○	0	0.0% ○
Neurosurgery	1,123	1,186	1,160	(63)	-5.3% ●	(37)	-3.2% ●
Ophthalmology	82	82	77	0	0.0% ○	5	6.5% ●
Orthopaedics	1,879	1,735	1,733	144	8.3% ●	146	8.4% ●
Otolaryngology	522	574	581	(52)	-9.1% ●	(59)	-10.2% ●
Pediatrics	0	0	0	0	0.0% ○	0	0.0% ○
Urology w/ Procedure Ste.	491	446	437	45	10.1% ●	54	12.4% ●
<b>Total</b>	<b>7,178</b>	<b>6,860</b>	<b>6,725</b>	<b>318</b>	<b>4.6% ●</b>	<b>453</b>	<b>6.7% ●</b>

		
Greater than 2.5% Favorable	Neutral	Greater than 2.5% Unfavorable

# Outpatient Surgeries – by Clinical Department

## July 2006 through February 2007

	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
<b>Operating Review (YTD)</b>							
Cardiothoracic	52	51	45	1	1.3% ○	7	15.6% ●
Dentistry	313	320	308	(7)	-2.3% ○	5	1.6% ○
Dermatology	3	4	3	(1)	-25.0% ●	0	0.0% ○
General Surgery	993	924	901	69	7.4% ●	92	10.2% ●
Gynecology	385	353	324	32	9.2% ●	61	18.8% ●
Internal Medicine	7	10	13	(3)	-30.0% ●	(6)	-46.2% ●
Neurosurgery	61	63	63	(2)	-3.2% ●	(2)	-3.2% ●
Ophthalmology	1,794	1,865	1,846	(71)	-3.8% ●	(52)	-2.8% ●
Orthopaedics	1,573	1,683	1,687	(110)	-6.6% ●	(114)	-6.8% ●
Otolaryngology	1,277	1,235	1,194	42	3.4% ●	83	7.0% ●
Pediatrics	3	5	5	(2)	-40.0% ●	(2)	-40.0% ●
Urology w/ Procedure Ste.	724	743	725	(19)	-2.5% ●	(1)	-0.1% ○
<b>Total</b>	<b>7,185</b>	<b>7,256</b>	<b>7,114</b>	<b>(71)</b>	<b>-1.0% ○</b>	<b>71</b>	<b>1.0% ○</b>

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

# Emergency Treatment Center

## July 2006 through February 2007

	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
<b>Operating Review (YTD)</b>							
ETC Visits	25,377	23,382	22,761	1,995	8.5% ●	2,616	11.5% ●
ETC Admits	7,147	6,410	6,223	737	11.5% ●	924	14.8% ●
Conversion Factor	28.2%	27.4%	27.3%		2.7% ●		3.0% ●
ETC Admits / Total Admits	39.2%	37.6%	36.8%		4.2% ●		6.4% ●

 <b>Greater than 2.5% Favorable</b>	 <b>Neutral</b>	 <b>Greater than 2.5% Unfavorable</b>
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# Clinic Visits by Clinical Department

## July 2006 through February 2007

	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
<b>Operating Review (YTD)</b>							
Anesthesia	11,010	11,191	11,435	(181)	-1.6% ○	(425)	-3.7% ●
CDD	4,189	3,548	3,538	641	18.1% ●	651	18.4% ●
Clinical Research	5,106	6,167	6,094	(1,061)	-17.2% ●	(988)	-16.2% ●
Dermatology	14,692	14,345	14,737	347	2.4% ○	(45)	-0.3% ○
ETC	25,126	22,382	22,377	2,744	12.3% ●	2,749	12.3% ●
Employee Health Clinic	9,994	11,275	10,612	(1,281)	-11.4% ●	(618)	-5.8% ●
Family Care Center	68,600	64,546	65,208	4,054	6.3% ●	3,392	5.2% ●
General Surgery	17,047	15,838	15,635	1,209	7.6% ●	1,412	9.0% ●
Hospital Dentistry	14,252	14,366	14,186	(114)	-0.8% ○	66	0.5% ○
Internal Medicine	67,402	66,287	66,539	1,115	1.7% ○	863	1.3% ○
Neurology	10,337	11,644	12,192	(1,307)	-11.2% ●	(1,855)	-15.2% ●
Neurosurgery	5,690	5,846	6,033	(156)	-2.7% ●	(343)	-5.7% ●
Obstetrics/Gynecology	42,335	40,473	39,922	1,862	4.6% ●	2,413	6.0% ●
Ophthalmology	40,712	40,052	40,526	660	1.7% ○	186	0.5% ○
Orthopaedics	33,962	32,758	33,662	1,204	3.7% ●	300	0.9% ○
Otolaryngology	18,780	18,526	18,337	254	1.4% ○	443	2.4% ○
Pediatrics	20,511	19,200	18,946	1,311	6.8% ●	1,565	8.3% ●
Psychiatry	25,400	25,054	24,921	346	1.4% ○	479	1.9% ○
Cardiothoracic	1,373	1,424	1,397	(51)	-3.6% ●	(24)	-1.7% ○
Urology	10,088	10,570	11,095	(482)	-4.6% ●	(1,007)	-9.1% ●
Other	4,236	1,433	1,139	2,803	195.5% ●	3,097	272% ●
<b>Total</b>	<b>450,842</b>	<b>436,924</b>	<b>438,531</b>	<b>13,918</b>	<b>3.2% ●</b>	<b>12,311</b>	<b>2.8% ●</b>

# Vision for Ambulatory Care Access

**Jean Robillard, M.D.**

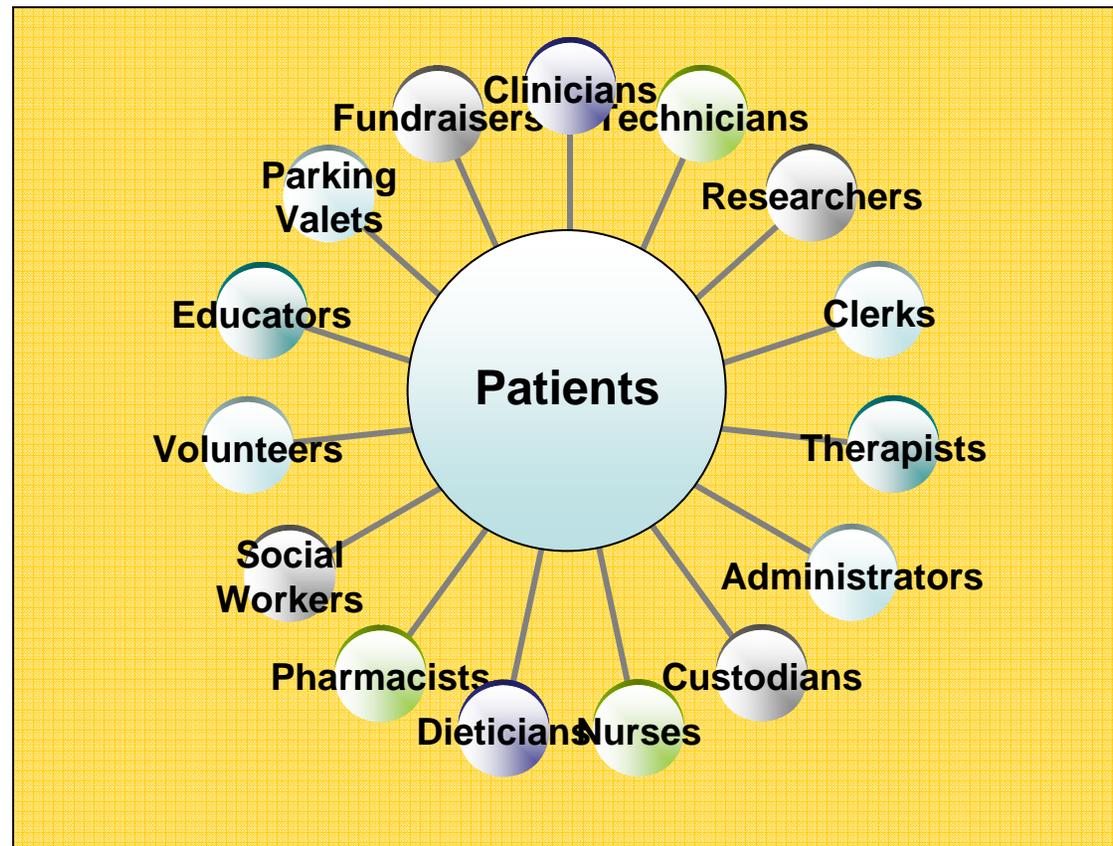
Vice President for Medical Affairs, Dean CCOM



## UI Health Care Culture

- Be an organization of continual process improvement
- Enhance emphasis on collaborative patient- and family-centered care
- Maintain high expectations for excellence and teamwork
- Anticipate change and be proactive

# Patient-Centered Organization



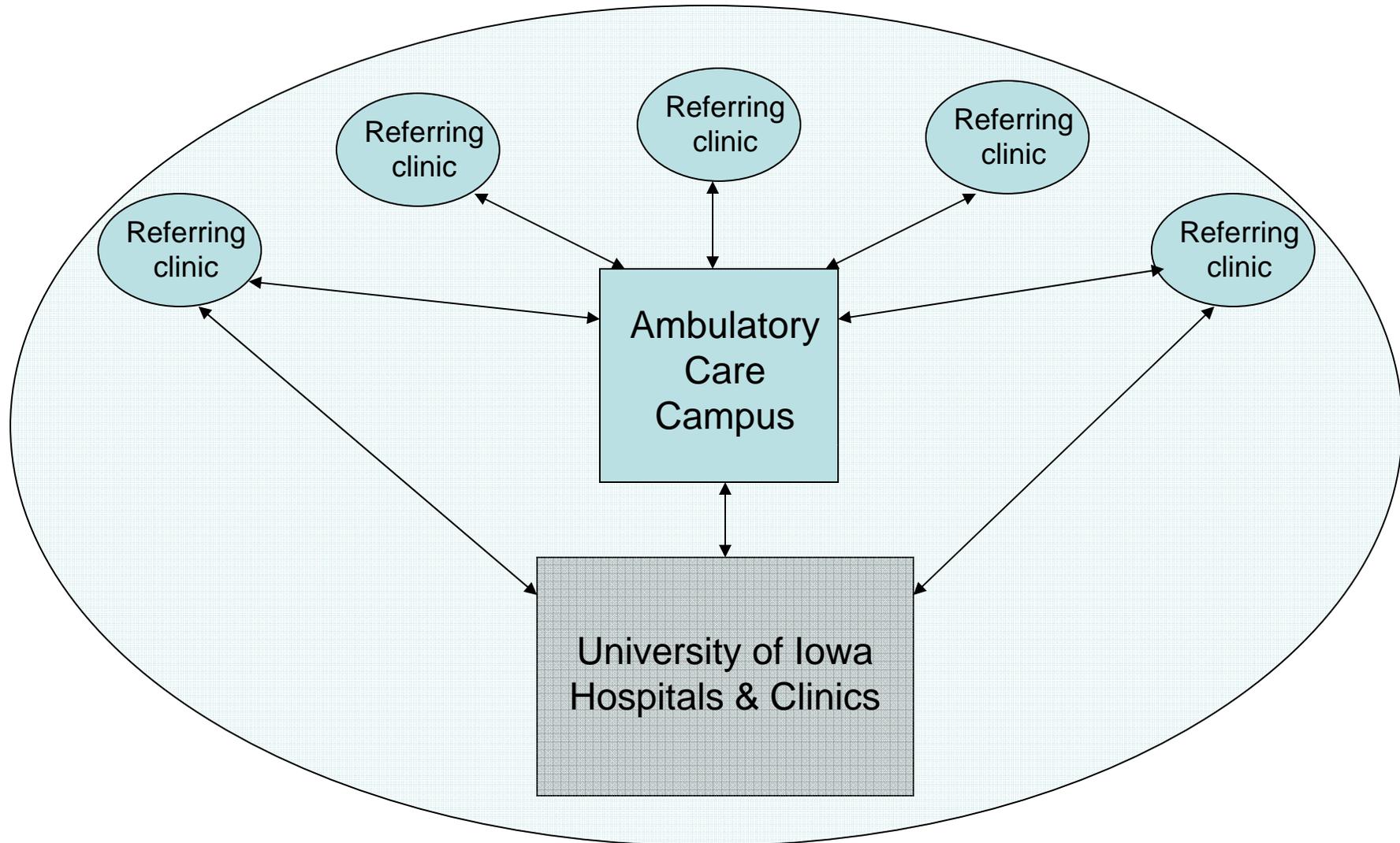
## Priorities for Improving Ambulatory Care Access

- Improve relationships with referring physicians and increase referrals
- Decrease the number of appointment types
- Improve access for new patients
- Design patient-centered scheduling
- Reduce no-show rates
- Evaluate methods of communication with patients
- Improve patient, staff and physician satisfaction

## Improving Access for Patients

- RFQ for strategic planning services for improving access to health care services
- Proposals received April 10 from three vendors
  - Health Strategies & Solutions, Inc.
  - ECG Management Consultants, Inc.
  - TRG Healthcare, LLC

## Network of Ambulatory Care



# **Institute for Orthopaedics, Sports Medicine and Rehabilitation**

## **Additional Discussion**

### **Donna Katen-Bahensky**

Senior Associate Vice President for Medical Affairs  
and Chief Executive Officer - UIHC

## **Project Collaborators**

**Joseph Buckwalter, MD**  
**Professor and Head**  
**Department of Orthopaedics & Rehabilitation**

**Ned Amendola, MD**  
**Professor and Director**  
**University of Iowa Sports Medicine Center**

**Richard K. Shields, PT, Ph.D.**  
**Director and Professor**  
**Graduate Program in Physical Therapy & Rehabilitation Sciences**

**Gary Barta**  
**Director of Athletics**  
**University of Iowa**

**Shane Cerone**  
**Senior Assistant Director, UIHC**

**John Staley**  
**Senior Associate Director, UIHC**

**Denise Rettig**  
**Administrative Fellow, UIHC**

## Outline

- Project Description
- Description of Need
- Strategic Initiatives
- Vision and Model
- Critical Success Factors
- Alternative Options
- Funding
- Business Model
  - Volumes
  - Return on Investment
- Now vs. Later and Next Steps

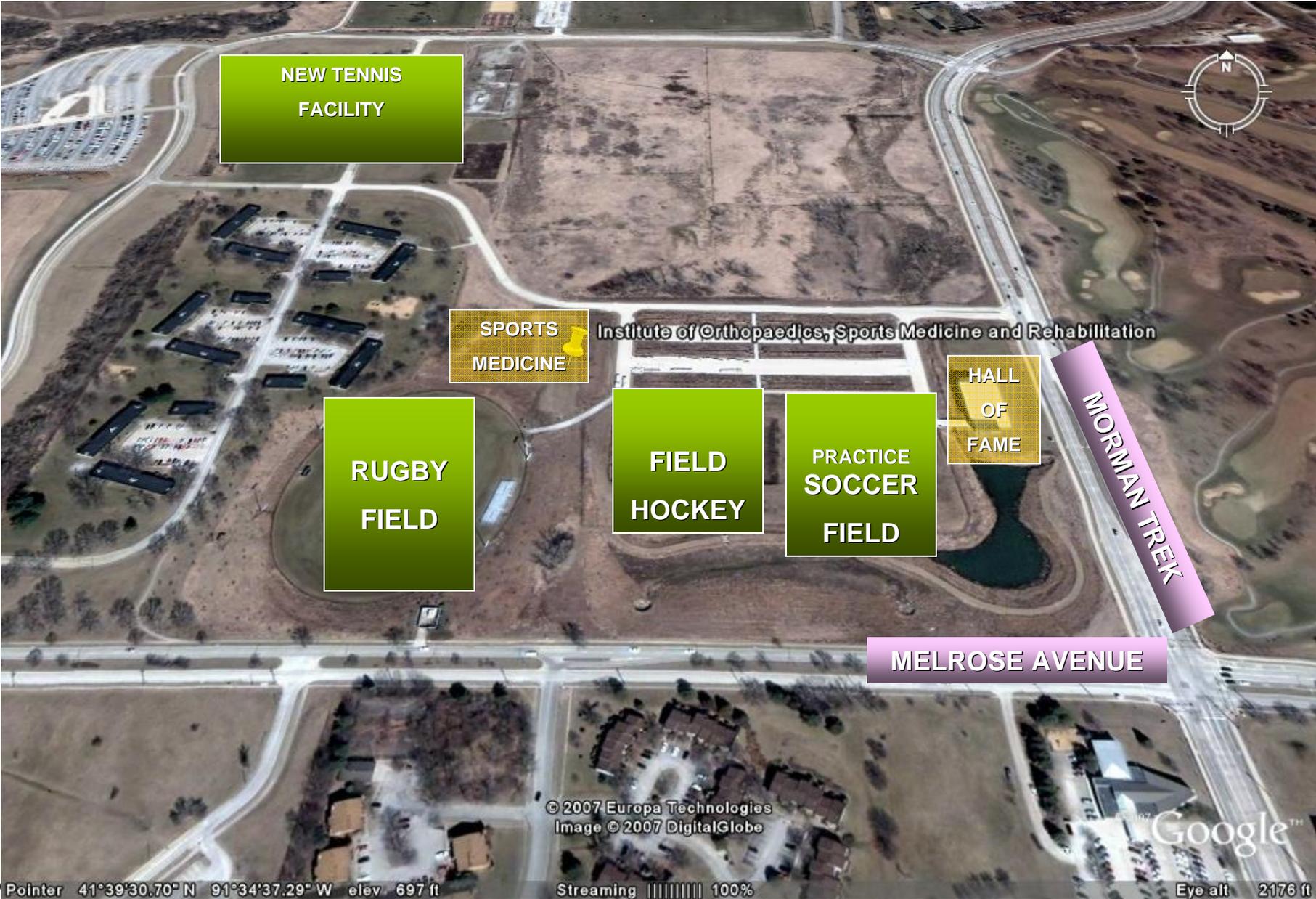
## Project Description

Develop the Institute for Orthopaedics, Sports Medicine and Rehabilitation (IOSMR)

- Establish facility west of the Roy G. Karro Hall of Fame
- Phase I building size of 26,000 (BGSF), accommodating 16 exam rooms – with additional Phase II 20,000 (BGSF) for academics, research and university athletics programs
- Focus on Sports Medicine with other select ambulatory services
- Clinic, imaging and rehabilitation in a single, convenient location
- Establish a center where clinical care and research highlight our academic difference
- Relocation of other orthopaedic services and facilities from UIHC main campus

IOSMR will support the University of Iowa's academic programs in physical therapy, athletic training, and rehabilitation; and continue to build on a strong relationship with University of Iowa Athletics.

# Project Description - Location



## Project Description - Location

- Location consistent with University's long-term master plan for the Hawkeye Campus as a sports and recreation area
- Close relationship to university athletics, recreational sports and fitness facilities, biking trails, cross country course, tennis center, and high school
- Close proximity to UIHC and collaboration with UI athletic services will benefit lowans, including University athletes and staff
- Location provides adequate space to accommodate Phase I and II, along with adjacent parking
- Athletic theme, accessibility of location and affiliation with the Hawkeyes creates a development opportunity that promotes relationship-building and economic development
- Although the desired location is off-site, the IOSMR is hospital-based and considered an extension of the UIHC campus
- IOSMR will be a component of the Department of Orthopaedics and Rehabilitation, operating within the organizational, financial, and administrative structure of UIHC

# Project Description – Phases I & II

## Preliminary Cost Estimates

Total Building Square Footage	46,000
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### Phase I

Construction Cost Estimate	\$5,975,000
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Equipment Cost Estimate	\$2,981,000
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### Phase II

Construction	<u>\$5,073,000</u>
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TOTAL PROJECT INCLUDING PHASE I & II	\$14,029,000
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\* Project planning would begin once there is approval of the Phase I request for Permission to Proceed with Project Planning and the request for Permission to Seek Architectural Assistance. Construction of the IOSMR is expected to take 12-18 months.

## Description of Need

- Increased patient demand for immediate access to care
- Extended life expectancy results in a more active population
- Desire for a high quality of life drives wellness initiatives and exercise
- Future prominence dependent upon advancing the health of an active adult population
- Maintain position as national leader (Orthopaedics ranked 7<sup>th</sup> by *US News and World Report America's Best Hospitals*)
- Create a resource that allows highest quality patient care delivered in a location that is conveniently accessed by patients and provides facilities for projected growth in patient volumes

## Description of Need - Industry Trends

- Sports medicine services are responsible for 53% of total profits for all hospital outpatient sub-service lines (The Health Care Advisory Board)
- National trend toward off-site care (Advisory Board)
  - Outpatient services moving off-site
  - Sub-specialty focus in a multidisciplinary environment
  - Developed to meet patient expectations
  - Emphasis on patient access and service
- Development of prominent Academic Sports Medicine programs
  - Michigan
  - Florida
  - Utah

## Strategic Initiatives

- **Strategy 1.1** – Create a framework for system transformation that fully and effectively implements UIHC’s Ambulatory Standards of Excellence and develops similar care standards for inpatient services
  - Immediate (same day/next day) access to care in an easily accessible location
  - Comprehensive care with imaging and rehabilitation on-site
  
- **Strategy 1.2** – Create coordinated, interdisciplinary, multi-departmental care models; provide seamless, collaborative approach to care
  - Multidisciplinary team approach  
(Surgeons, primary care physicians, pediatric sports specialists, physical therapists, physician assistants, athletic trainers, nurses and other professionals with unique expertise to patient care, education and research endeavors)
  - Future specialization in women and aging populations

## Strategic Initiatives (cont'd)

- **Strategy 1.3** – Train next generation of physicians, health care professionals, and the public in newest and best care delivery models
  - Host site for visitors, students, professors
  - Training ground for future physicians and professionals
  
- **Strategy 1.4** – Enhance and expand scientific efforts in health science research
  - Capitalize on strong relationship between nationally accredited programs (Department of Orthopaedics and Rehabilitation and the Graduate Program in Physical Therapy and Rehabilitation Science)
  - Increase ability to carry out research initiatives and extramural funding
  - Provide treatment from experts who are leaders in their field and pioneers in orthopaedics and sports medicine

## IOSMR Vision and Model of Care

- Vision
  - To be the orthopaedic and rehabilitation provider patients choose for innovative care, excellent service and exceptional outcomes by offering high quality, patient-centered care in a convenient location
- Model
  - Foster a multi-disciplinary team approach to treatment, imaging and rehabilitation, providing care that exceeds the competition in clinical expertise, outcomes, and quality of life improvement
- Goal
  - To provide the most comprehensive university-based sports medicine service in Iowa and the Midwest that is readily accessible to University athletes and members of the community

## Critical Success Factors

- Improve patient access
  - Same day/next day appointment
  - Convenient location with multidisciplinary care
- Expand sports medicine team's complement of skills
  - Provider Complement
    - 5 Orthopaedic Surgeons
      - Geriatrics
      - Women's Health
    - 2 Primary Care Physicians
    - 2 Physician Assistants
    - 1.5 Physiatrists
    - .5 Primary Care Sports Medicine Fellows
- Expand referral networks
- Increase the rate of orthopaedic surgeon new vs. return appointment distribution
- Improve rehabilitation services
- Increase educational opportunities
- Expand research initiatives and funding

## Alternative Options & Facility Space

- Expansion of current Sports Medicine Center
  - Lack of sufficient space to meet IOSMR’s programmatic needs
  - Current location does not facilitate easy access for patients
  - Difficult to fully develop multidisciplinary care model
  - Lack of space for research and expansion of educational opportunities
- South end-zone expansion of Kinnick Stadium
  - Lack of adequate visibility
  - Lack of adequate parking
  - Lack of sufficient space to meet IOSMR’s programmatic needs
- Sports Medicine movement to the IOSMR will free up 4,800 DGFSF in the lower level of Pappajohn Pavilion which will be reassigned to meet other UIHC space needs

## Funding

- Estimated cost:
  - Phase I Construction Project - \$5,975,000
  
- Source of funding:
  - University Hospitals building usage funds
    - Depreciation allowances of third parties underwriting the cost of patient care
    - Hospital net earnings from paying patients
  - No capital appropriated dollars will be involved in the planning or construction of Phase I
  - Hospital Revenue Bonds may be utilized

## Funding (Cont'd)

- Estimated cost:
  - Phase II Construction Project - \$5,073,000
  
- Source of funding:
  - Philanthropy
  - Additional financing to be determined
  - No capital appropriated dollars will be involved in Phase II

# Business Model and Volumes

	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>Yr00</u> <u>FY08</u>	<u>Yr02</u> <u>FY10</u>	<u>Yr04</u> <u>FY12</u>	<u>Yr06</u> <u>FY14</u>	<u>Yr08</u> <u>FY16</u>	<u>Yr10</u> <u>FY18</u>
<b>Exam Rooms</b>									
Exam Rooms	8	8	8	8	16	16	16	16	16
Encounters (New)	1,990	2,093	3,056	3,886	7,111	9,934	11,150	12,000	12,600
Encounters (Return)	6,100	6,440	6,730	7,702	10,413	14,259	16,327	20,342	21,290
Total Encounters	8,090	8,533	9,786	11,588	17,524	24,193	27,477	32,342	33,890
<b>Rehabilitation</b>									
Number of Cases [A]	4,900	5,168	5,927	7,019	10,614	14,654	16,643	19,589	20,527
Rehabilitation BGSF					8,500	8,500	8,500	8,500	8,500
<b>Radiology</b>									
DR X-Rays	2,600	2,742	3,145	3,724	5,632	7,775	8,831	10,394	10,892
MRIs	611	644	739	875	1,323	1,827	2,075	2,443	2,560
DR X-ray Rooms (SMC specific)	NA	NA	NA	NA	2	2	2	2	2
MRI Rooms (SMC specific)	NA	NA	NA	NA	1	1	1	1	1
<b>Outpatient Surgery</b>									
Number of Procedures	707	744	784	937	1,137	1,540	1,759	2,061	2,274
Clinic Encounters/Outpatient Procedure	11	11	12	12	15	16	16	16	15
New Procedures over Previous Year	NA	NA	40	153	83	218	107	124	142
Growth Rate	NA	NA	5.4%	19.5%	7.9%	16.5%	6.5%	6.4%	6.7%
# New Procedures over 06	NA	NA	40	193	393	796	1,015	1,317	1,530
<b>Inpatient Cases</b>									
Number of Cases	173	182	192	229	278	377	430	504	556
<b>Staff (FTE)</b>									
<b>Clinicians</b>									
Surgeons	3.0	3.0	3.0	4.0	4.0	5.0	5.0	5.0	5.0
Primary Care Physicians/Fellow	0.2	0.2	1.7	1.7	2.5	2.5	2.5	2.5	2.5
Physiatrists	-	-	-	-	1.0	1.5	1.5	1.5	1.5
Physician Assistants	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0

## Incremental Margin by Combined Revenue Source

Year	Combined Incremental Margin
FY09	\$280,229
FY10	\$481,649
FY11	\$881,996
FY12	\$1,395,607
FY13	\$1,602,804
FY14	\$1,811,179
FY15	\$2,178,910
FY16	\$2,399,359
FY17	\$2,515,433
FY18	\$2,821,714
Total (FY09-FY19)	\$16,368,880

- The financial impact of the growth in sports medicine volume is projected to be \$16.3 M over the 10-year business plan
- Return on Investment of 9.5%

## Completion of IOSMR Now Vs. The Future

- Planning has been ongoing for the last seven years and moving IOSMR with other potential clinics will only serve to delay this for at least another 3 years
- Sports Medicine represents a time sensitive opportunity for enhancing patient services, volume and financial success
- The Institute serves as an extension of the UIHC campus with proximity to the Athletic campus, West High, the Interstate and a growing population in the West part of Iowa City
- Geographically accessible to the patient population currently served by the rehabilitation therapies in a convenient and easier to access facility
- Builds upon a strong relationship that has been built between UIHC, the Athletic Department and the associated teams
- Regardless of the organizations off-site strategies, this site is an ideal location for the IOSMR and also fits within the Universities plan for the Hawkeye campus and sports park.

## Next Steps

- Approval recommended by Capital Allocations Committee
  - February 14, 2007
- Present IOSMR concept to Board of Regents Hospital Committee
  - March 2, 2007
- Present “Permission to Proceed with Project Planning” to the Board of Regents, State of Iowa
  - May 1, 2007
- Pending approval of “Permission to Proceed”
  - Seek architectural assistance
  - Develop space program for Board Office approval
  - Pending approval of Program Statement, develop preliminary schematics and budget for Board Approval
  - Pending budget and schematic approval, complete design work
  - Submit project for bid and commence construction

# University of Iowa Hospitals and Clinics

## FY 2008 Proposed Budget Presentation

### **Donna Katen-Bahensky**

Senior Associate Vice President for Medical Affairs  
and Chief Executive Officer – UIHC

### **JoEllen Browning**

Manager, Financial Analyst, UIHC

# Table of Contents

- **Mission and Vision**
- **Strategic Initiatives and Critical Success Factors**
  - **Examples of improvement initiatives**
- **Patient Service Area**
- **Drivers of Cost in Healthcare**
- **FY08 Proposed Budget Numbers**
- **Conclusion**

## Mission

- University of Iowa Hospitals and Clinics, in compliance with the Code of Iowa, serves as the teaching hospital and comprehensive healthcare center for the State of Iowa, thereby promoting the health of Iowans regardless of their ability to pay. University of Iowa Hospitals and Clinics, in concert with the University of Iowa health science colleges, functions in support of the health care professionals and organizations in Iowa and other states by:
  - Offering a broad spectrum of clinical services to all patients cared for within the Center and through its outreach programs;
  - Serving as the primary teaching hospital for the University; and,
  - Providing a base for innovative research to improve health care

## Vision

- We will be the Midwest hospital that people choose for innovative care, excellent service, and exceptional outcomes. We will be an internationally recognized academic medical center in partnership with the UI Carver College of Medicine

# Mission and Imperatives

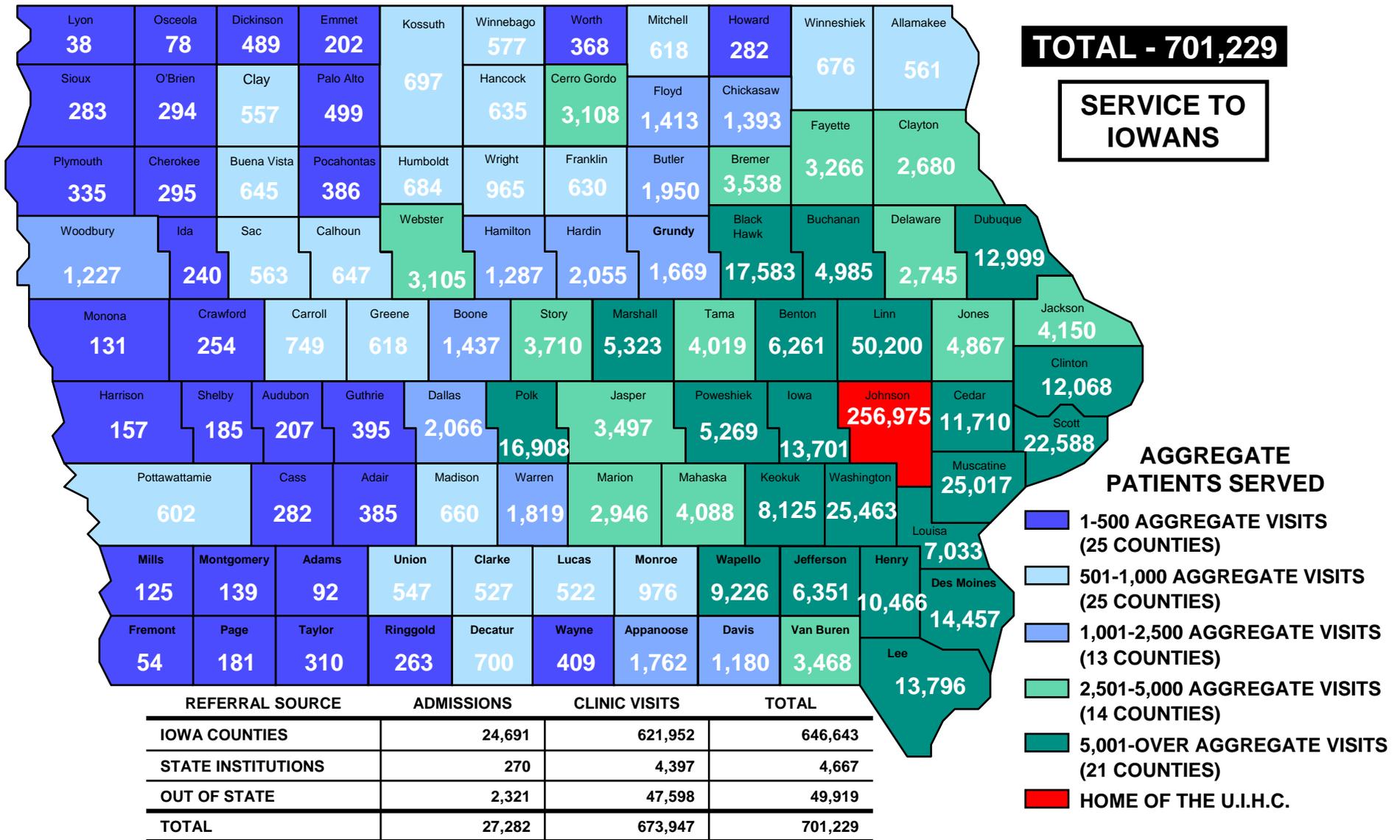
- **Mission**

- Quality patient care
- Focus on education and research
- UIHC as a high quality academic medical center
- Strong resource for the State of Iowa

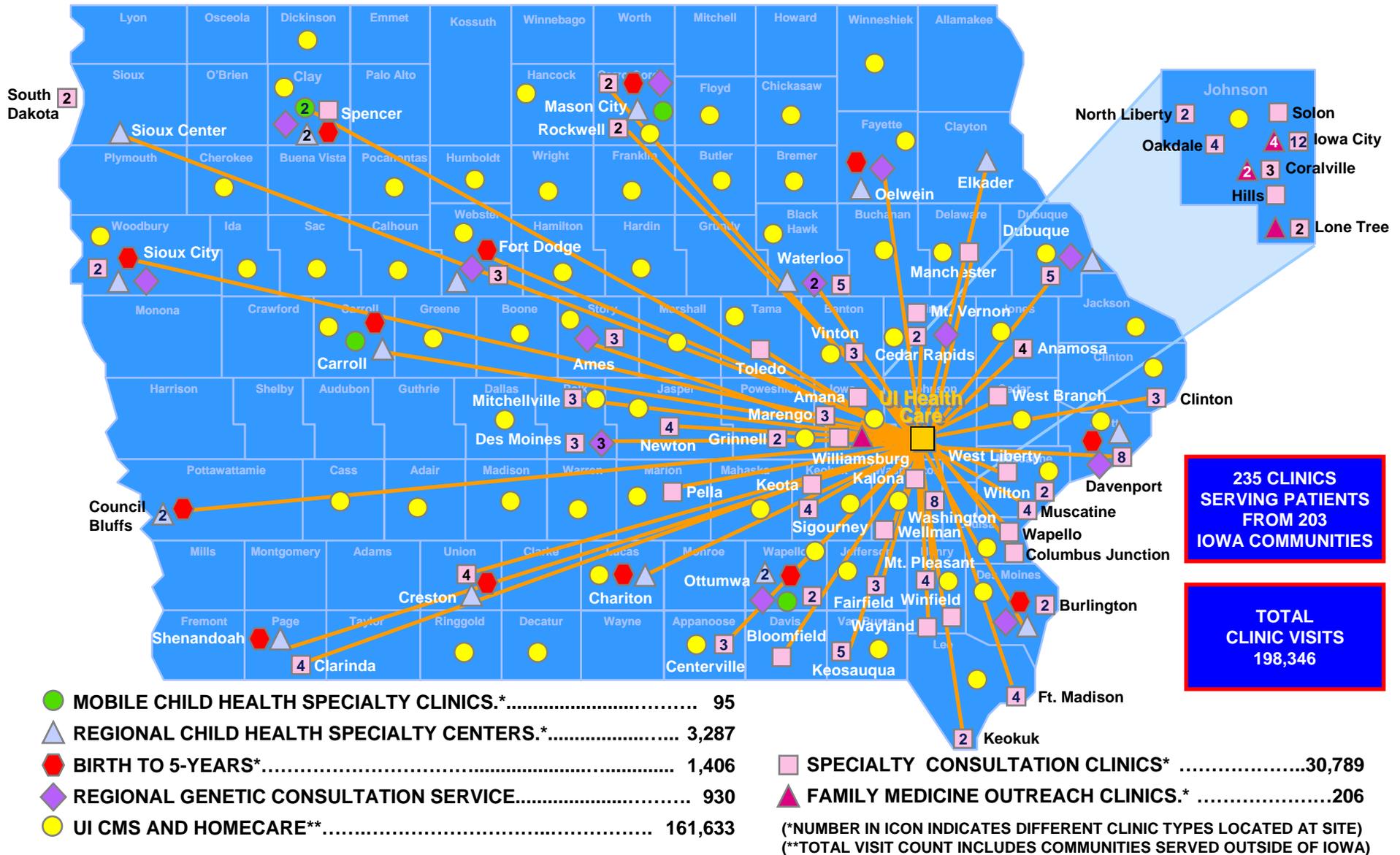
- **Imperatives**

- Preserve University and State bond ratings
- Continue to fund capital needs without State support
- Replace aging facilities and equipment
- Invest in new technology

# Aggregate Patients Served by County 2005-2006



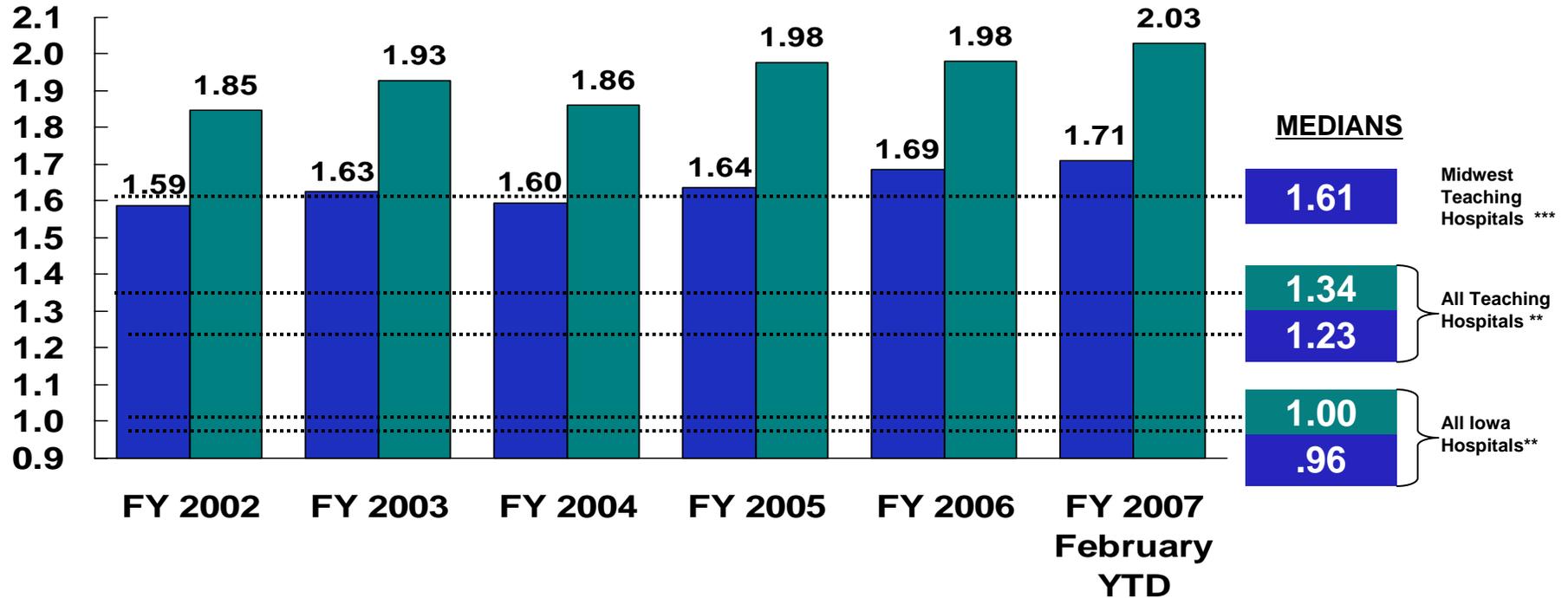
# Off Site Clinics Providing Patient Care to Iowa Communities 2005-2006



# UNIVERSITY OF IOWA HOSPITALS AND CLINICS

## CASE MIX INDEX - ALL ACUTE INPATIENTS\*

## CASE MIX INDEX - MEDICARE INPATIENTS\*



- 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.
- ALL ACUTE CASE MIX INDEX VALUES SHOWN ABOVE INCLUDE NEWBORN NURSERY
- MEDICARE CASE MIX INDEX EXCLUDES DEPT OF PSYCH

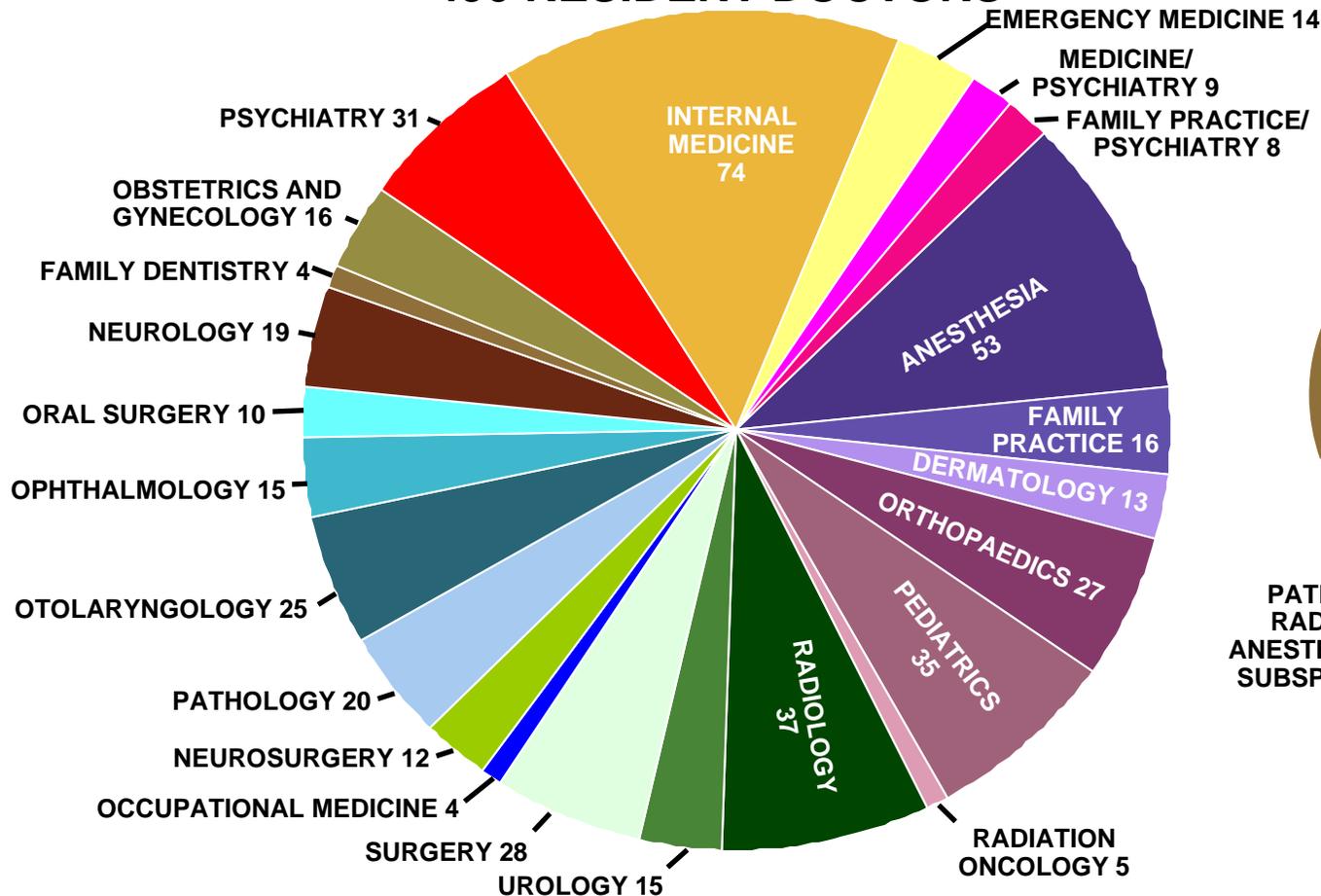
\*\* MEDICARE CMI - ALMANAC OF HOSPITAL FINANCIAL OPERATING INDICATORS, 2006 CHIPS, 2005 DATA  
 ALL ACUTE CMI - ALMANAC OF HOSPITAL FINANCIAL OPERATING INDICATORS, 2005 CHIPS, 2004 DATA  
 A TEACHING HOSPITAL IS ONE AT WHICH MEDICAL GRADUATES TRAIN AS RESIDENTS.

\*\*\*UNIVERSITY HEALTH SYSTEM CONSORTIUM CY2006.

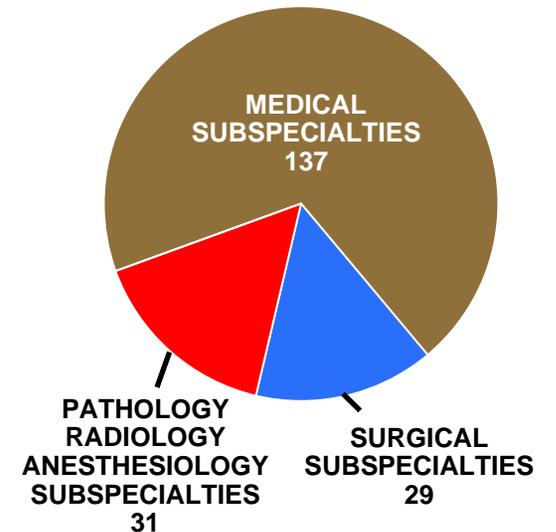
## Residency & Fellowship Trainees by Specialty 2005-2006

**687 RESIDENT AND FELLOW DOCTORS IN TRAINING**

### 490 RESIDENT DOCTORS



### 197 FELLOW DOCTORS



## Strategic Initiatives

### Innovative Care

- New and More Efficient Healthcare Delivery Models
- Positioning Select UIHC Clinical Services

### Excellent Service

- Patient and Family Satisfaction
- Referring Physician Satisfaction
- Engaged Faculty, Staff and Volunteers

### Exceptional Outcomes

- Patient and Staff Safety
- Clinical Outcomes

## FY '08 Critical Success Factors

- Improving service levels and patient satisfaction
- Improving efficiencies and increasing volumes across the clinical enterprise
  - Ambulatory recommendations
  - Surgical Services recommendations
- Financial integrity and capital planning
  - IowaCare funding
  - Completion/Execution of business plans
  - Completion/approval of Facilities Master Plan
- System activation of EPIC, OR, and Radiology Management Systems

## Process Improvement Initiatives

- Ambulatory Care
  - Improve patient throughput
  - Continue to build organizational structure that aligns incentives, leadership vision, and definition of success by creating accountability with performance standards and metrics
  - Improve faculty productivity with targets and monitoring, making appropriate use of mid-level providers
  - Develop benchmarked staffing models adjusting levels and responsibility for appropriate complement and skill mix
  - Increase customer service levels by improving the patient and family experience
- Operating Room
  - Improve quality and safety
  - Create more predictability in scheduling while accommodating growth and enhancing the work environment
  - Improve utilization of nursing and anesthesiology faculty, along with increasing case volume
  - Enhance efficiency and reduce costs of supplies and equipment

---

## Process Improvements in the Emergency Treatment Center

- Eric Dickson MD, FAAEM
- Needed to improve service to our patients because
  - Patient visits and admissions from the ETC increased significantly from 2003-2005
  - LOS in the ETC increased from 150 min. to 170 min.
  - The percent of patients waiting 3 hours to be seen increased from 1% to 5%
  - Patient Satisfaction scores were decreasing
- Steps taken
  - Patient to Room ASAP
  - Nurse and Provider to room together
  - Immediate notification to provider when x-rays & labs complete
  - Rapid execution of final disposition

## Drivers of Cost in an Academic Healthcare System

- Patients
- Labor
- Patient care
- Buildings and equipment
- Outside regulation
- New technology
- Safety
- Teaching

## Cost Drivers

- Patients
  - Visits, procedures, patient days, diagnostic test all ordered by a physician
  - Direct labor related to each encounter
    - Patient in a medical bed will require 8 hours of direct labor from nursing per day
    - Patient in an Intensive Care Unit bed will require 18 hours of direct labor from nursing per day
    - Visit to the Emergency Treatment Center will require about 2.5 hours of direct labor

## Cost Drivers (cont'd)

- Labor
  - Supply and demand
    - Pharmacists can work for Walgreens – retail pays more
    - RN can work in a clinic (8-5) no weekends or nights
  - Union agreements – 85% of labor force and 71% of labor cost
  - University benefit structure
    - Holidays and vacation – hours per FTE of work
    - Full-Time Employee of work is 1,760 hours out 2,080 paid – 8 weeks of time away from a job

## Cost Drivers (cont'd)

- Patient Care
  - Direct supplies
    - From basic necessities to implants - individually packaged and delivered to the patient
    - New technology
  - Pharmaceuticals
    - Delivery method – individual dose brought to a patient and recorded in the chart
    - Changes in therapeutic agents
  - Patient room
    - Space for equipment, family and medical personnel

## Cost Drivers (cont'd)

- Buildings and equipment
  - Acquisition – Cost basis of physical plant is \$878 million
    - Construction in progress (CIP) = \$88 million
  - Maintenance – 3.5 million square feet
  - Utilities – purchase from University
  - Trained technicians to use and maintain the clinical equipment

## Cost Drivers (cont'd)

- Processes required by others
  - Joint Commission on Accreditation of Healthcare Organizations (JCAHO)
    - Medication Reconciliation
  - Medicare
    - Centers for Medicare & Medicaid Services (CMS) Quality Indicators
  - Nuclear Regulatory Commission
    - Radiation Therapy
  - Accreditation Council for Graduate Medical Education (ACGME)
    - 80 hour work week

\*There are over 200 regulatory and accrediting bodies that provide over site for some or all of UIHC

## Cost Drivers (cont'd)

- New technology and innovation
  - Example of new emerging technology
    - Digital mammography - \$400,000 vs. \$85,000
    - IV pumps - \$7.4 million
    - 64 Slice CT with Bariatrics package - \$2.7 million
- Safety
  - Ergonomic equipment
  - Electronic Medical Administration Record (EMAR)
  - Bariatric rooms
- Teaching
  - Number of residents, fellows, RN's and other professionals in training

## FY 2008 Proposed Budget

- **For Fiscal Year 2007-2008**
  - 6.0% rate increase
  - 4.0% operating margin
  - 11.6% EBDITA
  - Achieve Aa rating medians for S&P and Moody's

## Aa Bond Rating Key Financial Ratio Comparison

	UIHC FY 08 Budget*	Median Moody's Aa Rating**
Days Cash on Hand	265.0	253.4
EBDITA Margin	11.6%	10.9%
Operating Margin	4.0%	4.0%
Debt to Capitalization Percent	7.7%	31.3%
Days in Accounts Receivable	47.0	52.4
Average Age of Plant	8.2	9.1

\* UIHC data reflects the issuance of \$50 million in debt.

\*\* Data is compiled from Moody's Investors Service publication "Not for Profit Healthcare: 2007 Preliminary Medians."

## Key Expense and Inflation Assumptions

- Salaries and wages (Contracts for SEIU, AFSCME) 5.5%
- Patient care supplies (Novation pricing report) 4.0%
- Departmental supplies (Novation pricing report) 4.5%
- Drugs (American Journal of Health-System Pharmacy) 7.0%
- Utilities (Purchase from UI including capital facility costs) 9.0%
- Professional services 2.5%
- Medical services (Novation pricing report) 4.0%
- Food products (USDA pricing estimate) 3.5%

# FY 2008 Operating Budget Assumptions

## Income Statement

- Volume growth
  - Inpatient admissions 2.0% increase
  - Outpatient visits 2.0% increase
- Earnings Before Depreciation, Interest, Taxes, and Amortization (EBDITA)
  - Margin budgeted at 11.6% or EBDITA of \$97.8 million
- Operating margin budgeted at 4.0%, or operating income of \$33.7 million
  - Equal to the Moody's Aa median rating
  - Margin is required to generate future capital capacity and fund current capital plans
  - Maintain cash liquidity as measured by days cash on hand

## FY 2008 Operating Budget Assumptions (cont'd)

### Balance Sheet

- Net days in patient accounts receivable at 47 days
  - Reflective of improved revenue cycle performance
- Assumes issuing \$50 million of revenue bonds
  - Brings debt to capitalization ratio to 7.7%
  - Significantly below the Aa median of 31.3%
- Days cash on hand at year-end projected to be 265 days
  - Aa median of 253 days (assumes the issue of \$50 million in proposed revenue bonds, days cash on hand will be 240 if bonds are not issued)

## Six Year Summary Operating Indicators

	FY2003	FY2004	FY2005	FY2006	Projected FY2007	Budgeted FY2008
Acute Admissions*	24,104	25,384	25,063	26,030	27,189	27,733
Length of Stay*	7.24	6.94	6.99	6.64	6.68	6.40
Surgical Cases	20,269	20,644	20,820	21,008	21,764	22,635
Clinic Visits	631,443	669,045	668,456	673,947	692,637	706,878
Market Share	6.7%	7.0%	6.9%	7.1%	7.0%	7.0%
Net Patient Revenue**	\$546.0M	\$590.0M	\$624.3M	\$688.0M	\$753.4M	\$787.3M
EBDITA	\$50.0M	\$51.5M	\$71.9M	\$82.3M	\$105.2M	\$97.8M
EBDITA Margin	8.3%	8%	10.6%	11.1%	13.1%	11.6%
Operating Income	\$8.5M	\$10.2M	\$20.5M	\$27.3M	\$46.7M	\$33.7M
Operating Margin	1.4%	1.6%	3.0%	3.7%	5.8%	4.0%
Case Mix Index***						
All Acute Inpatients	1.6272	1.5950	1.6384	1.6920	1.7090	1.7090
Medicare Inpatients	1.8182	1.7822	1.8734	1.8797	1.9485	1.9485

\* All years presented exclude newborn nursery utilization.

\*\* Net Patient Revenue includes (FY03-FY05) State Indigent Care Appropriation and (FY06-FY08) Iowa Care receipts.

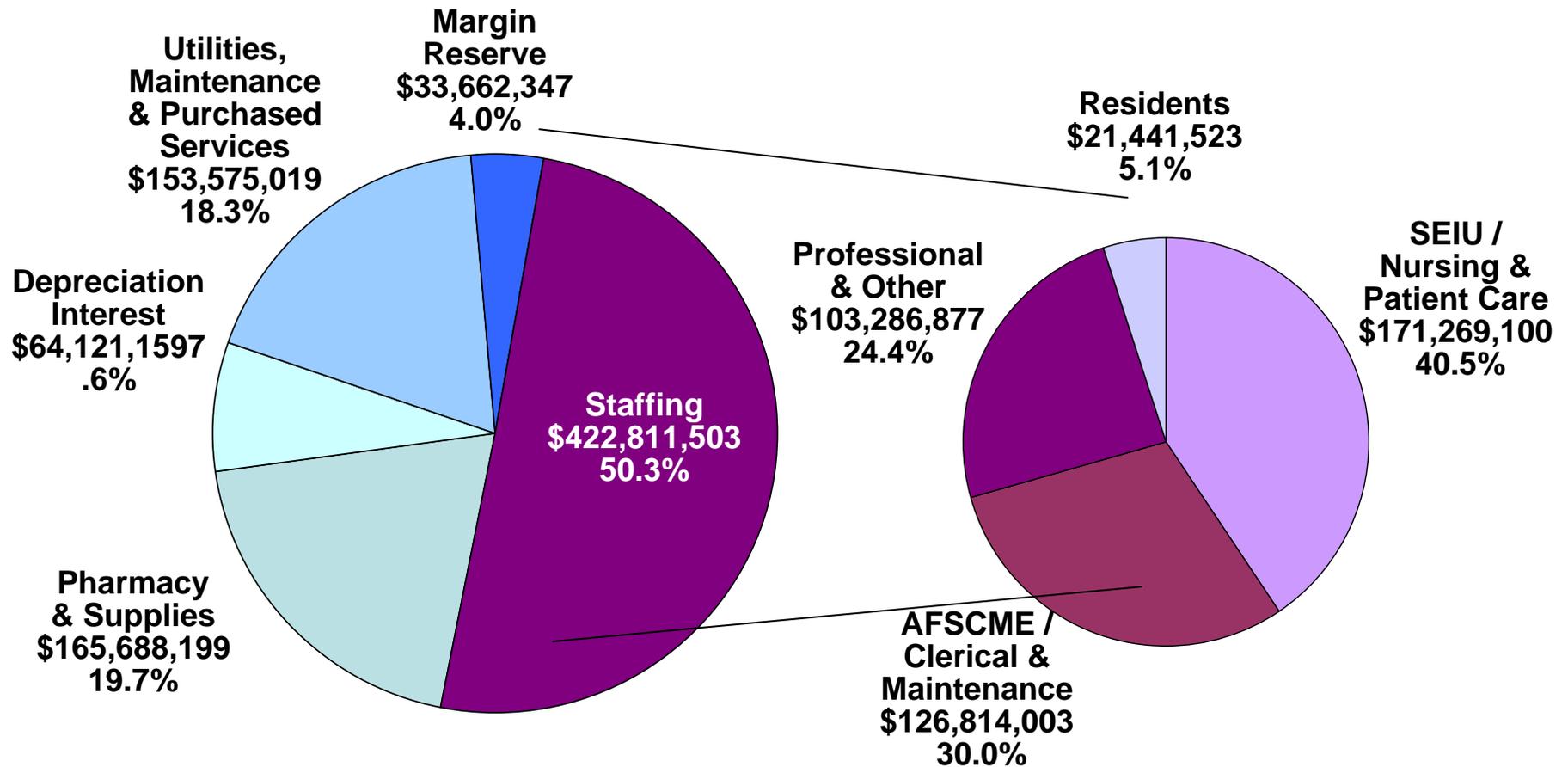
\*\*\* Case mix index is a national (Medicare) measure of inpatient severity, where the average case intensity is 1.0

# UIHC FY 2008 Proposed Budget in 000's



	Budget FY 2008 Proposed	Projected FY 2007	Actual FY 2006	FY08 to Proj FY07	
				Variance \$	Variance %
Net Patient Revenues	\$ 787,285	\$ 753,394	\$ 688,004	\$ 33,892	4.5%
State Appropriations	13,406	13,406	13,406	-	0.0%
Other Operating Income	39,166	38,399	38,918	768	2.0%
<b>Total Net Revenue</b>	<b>\$ 839,858</b>	<b>\$ 805,199</b>	<b>\$ 740,329</b>	<b>\$ 34,660</b>	<b>4.3%</b>
Operating Expenses:					
Salaries, Wages & Benefits	\$ 422,812	\$ 401,369	\$ 370,913	\$ 21,442	5.3%
Supplies and Drugs	165,688	155,305	141,318	10,383	6.7%
Med. & Professional Services	71,378	65,635	70,776	5,743	8.8%
Repairs and Maintenance	14,535	14,180	13,583	355	2.5%
Rents and Leases	5,678	5,540	4,665	138	2.5%
Utilities	23,574	21,628	21,219	1,946	9.0%
General Expenses	\$ 38,409	\$ 36,297	\$ 35,571	2,113	5.8%
<b>Total Operating Expenses</b>	<b>742,075</b>	<b>699,954</b>	<b>658,044</b>	<b>42,121</b>	<b>6.0%</b>
<b>EBDITA</b>	<b>\$ 97,784</b>	<b>\$ 105,244</b>	<b>\$ 82,285</b>	<b>\$ (7,461)</b>	<b>-7.1%</b>
EBDITA %	11.6%	13.1%	11.1%		
<b>Total Depreciation &amp; Amortization</b>	<b>\$ 64,121</b>	<b>\$ 58,583</b>	<b>\$ 54,979</b>	<b>\$ 5,538</b>	<b>9.5%</b>
<b>Operating Income</b>	<b>\$ 33,662</b>	<b>\$ 46,661</b>	<b>\$ 27,306</b>	<b>\$ (12,999)</b>	<b>-27.9%</b>
Operating Income %	4.0%	5.8%	3.7%		
Non-recurring Items	-	-	10,709	-	0.0%
Gain (Loss) on Investments	20,623	22,138	10,328	(1,514)	-6.8%
<b>Net Income (Loss)</b>	<b>\$ 54,286</b>	<b>\$ 68,799</b>	<b>\$ 48,342</b>	<b>\$ (14,513)</b>	<b>-21.1%</b>
Net Income %	6.3%	8.3%	6.4%		

## UIHC Cost Structure FY 2008 Proposed Budget



Staffing costs comprise over half of UIHC expenses; the majority of dollars spent are for staff covered by bargaining unit.

## Summary FY2008 Inflation and Volume Impact Expense Increases Over FY 2007 Projected

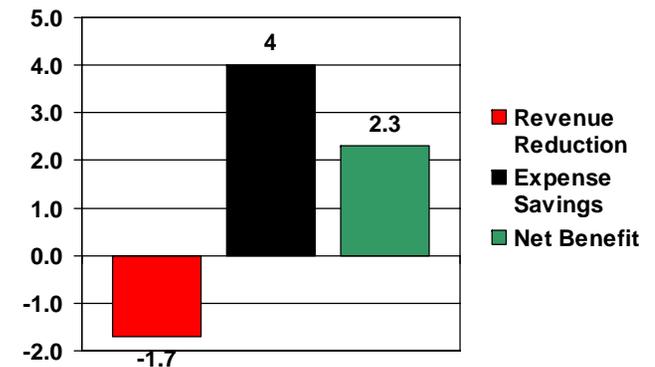
	Cost Due to Inflation	Cost Due to Volume Increases	Inflation & Volume
<b>Salaries &amp; Wages- SEIU, AFSCME and other</b>	\$16.3	\$6.3	\$22.6
<b>Benefits</b>	9.3	2.3	11.6
<b>Supplies – 4% inflation</b>	3.7	2.0	5.7
<b>Drugs – 7% inflation</b>	4.4	1.3	5.7
<b>Utilities – 9% inflation</b>	1.9		1.9
<b>Depreciation Expense</b>	5.5		5.5
<b>Other Operating Expense – 2.5-4.0% inflation</b>	7.3	1.3	8.6
<b>Total Expense Growth</b>	\$48.4	\$13.2	\$61.6

## Improving Efficiencies

- Length of Stay Management

- Decrease in average length of stay from 6.68 to 6.40 days
- Results in reduction of 7,765 patient days, \$13.8 million reduction in charges, \$1.7 million reduction in net revenue, and \$4.0 million in expense savings for net benefit of \$2.3 million

Length of Stay Impact



- Productivity

- 2.0% productivity improvement yields \$6.4 million in labor savings and \$2.3 million in benefits savings, totaling \$8.7 million in savings
- No increase in agency utilization. UIHC agency experience, especially in nursing, is dramatically below other academic medical center experience

## Improving Efficiencies (cont'd)

- Supply Chain Management
  - Search is underway to hire a Director of Supply Chain Management to optimize supply chain efforts and implement an inventory control system
- Pharmacy and Therapeutics Committee
  - Continue ongoing efforts to effectively maintain an infrastructure for monitoring drug utilization and costs
- Ambulatory Care Division
  - Implement recommendations of the outside consultation to improve access and efficiency in the provision of outpatient services, in collaboration with Carver College of Medicine
- Operating Room Efficiency
  - Implement recommendations from a nationally recognized Operating Room management consultant to enhance the scheduling, turn around times, supply costs, and other components of the surgical services suite

## Summary FY2008 Inflation, Volume, and Efficiency Impact Expense Increases Over FY 2007 Projected

	Cost Due to Inflation	Cost Due to Volume Increases	Efficiency Initiatives	FY 2008 Budgeted Cost Increase
<b>Salaries &amp; Wages- SEIU, AFSCME and other</b>	\$16.3	\$6.3	\$(9.3)	\$13.3M
<b>Benefits</b>	9.3	2.3	(3.4)	8.2M
<b>Supplies – 4% inflation</b>	3.7	2.0	(1.0)	4.7M
<b>Drugs – 7% inflation</b>	4.4	1.3		5.7M
<b>Utilities – 9% inflation</b>	1.9			1.9M
<b>Depreciation Expense</b>	5.5			5.5M
<b>Other Operating Expense – 2.5-4.0% inflation</b>	7.3	1.3	(0.2)	8.4M
<b>Total Expense Growth</b>	\$48.4	\$13.2	\$(13.9)	\$47.7M

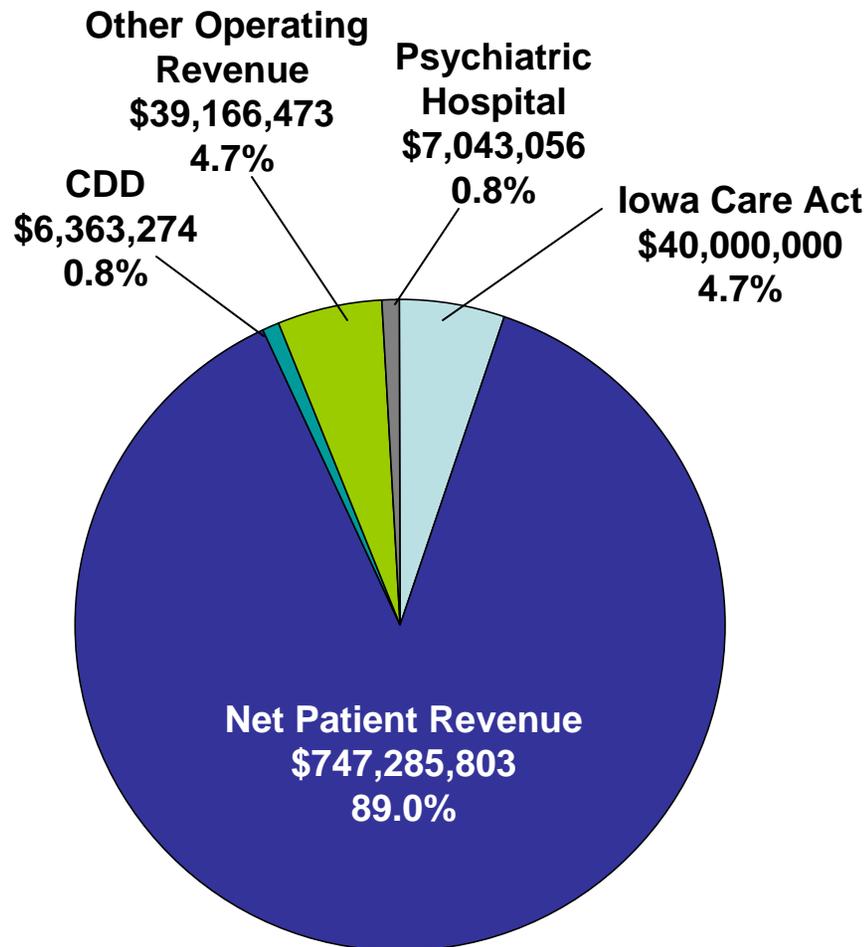
# Who pays for healthcare in Iowa?

	(000's)
Operating Expense	\$ 755,977
Depreciation & Amortization	64,121
Operating Margin	<u>33,662</u>
Required Net Operating Revenue	<u><u>853,760</u></u>
<b>Paid by Existing Patients - current rates</b>	
Governmental Payors	266,539
Wellmark/Blue Cross	218,708
Commercial Payors	194,017
Iowa Care	40,000
State Appropriations	13,406
Self Pay	3,960
All Other	<u>30,170</u>
	766,800
<b>Paid by New Patients - current rates</b>	
Governmental Payors	4,722
Wellmark/Blue Cross	4,426
Commercial Payors	3,927
Iowa Care	860
State Appropriations	-
Self Pay	80
All Other	<u>561</u>
	14,575
<b>Paid by Contracted Rate Increase</b>	
Governmental Payors	5,240
Wellmark/Blue Cross	6,115
All Other	<u>516</u>
	11,871
<b>Other Operating Revenue</b>	
	39,166
Total Patient and Other Operating Revenue	<u><u>832,412</u></u>
<b>Expense Savings from Efficiency Efforts</b>	13,902
<b>Net Cost Covered by 6% Charge Rate Increase</b>	\$ 7,446

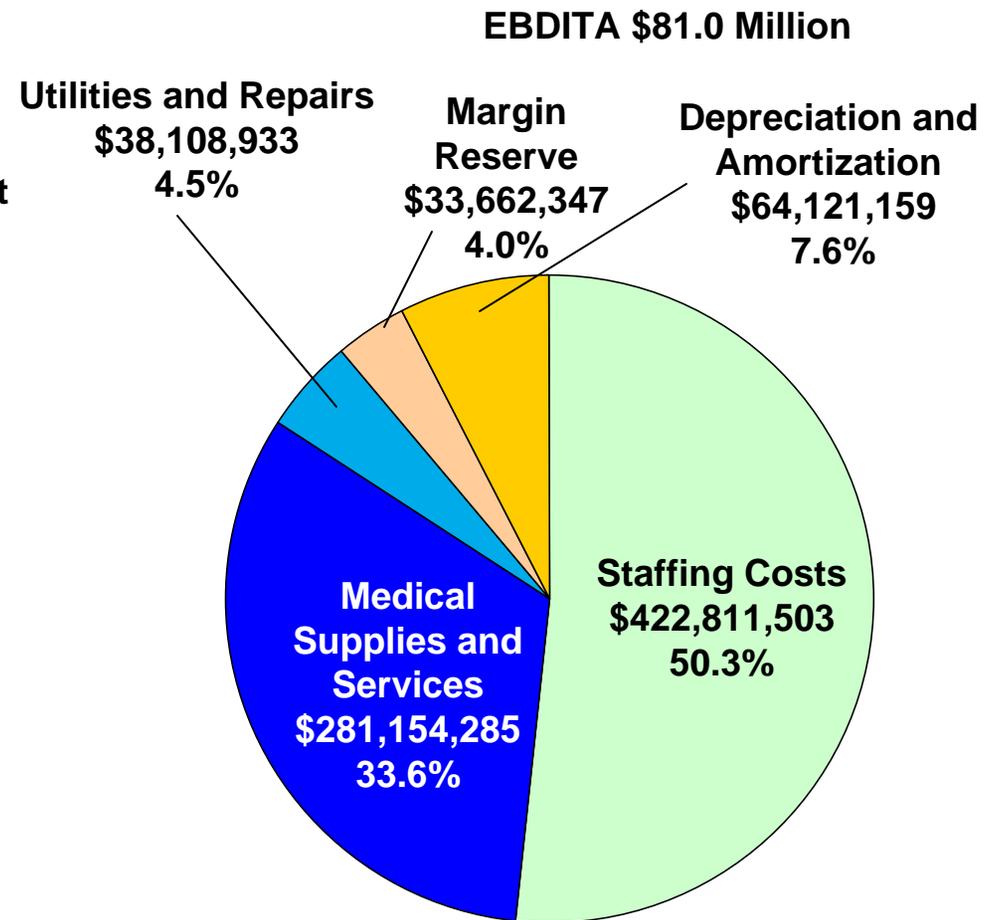
## Summary FY2008 Rate and Volume Revenue Impact Increases Over FY 2007 Projected

	Rate	Volume	FY 2008 Budget
<b>Medicare – payment update factor of 2.65%</b>	\$5.2M	\$3.3M	\$8.5M
<b>Medicaid – no increase</b>	0.0	1.4	1.4
<b>IowaCare – no increase</b>	0.0	0.0	0.0
<b>State Institution Patients – no payment for services</b>	0.0	0.0	0.0
<b>Wellmark – payment update factor of 3.0%</b>	6.1	4.4	10.5
<b>Others – Commercial, Managed Care, and Self Pay</b>	8.0	5.5	13.5
<b>TOTAL</b>	<b>\$19.3M</b>	<b>\$14.6M</b>	<b>\$33.9M</b>

## Combined Hospitals Sources and Uses FY08 Proposed Budget



**FY08 TOTAL = \$839,858,227**

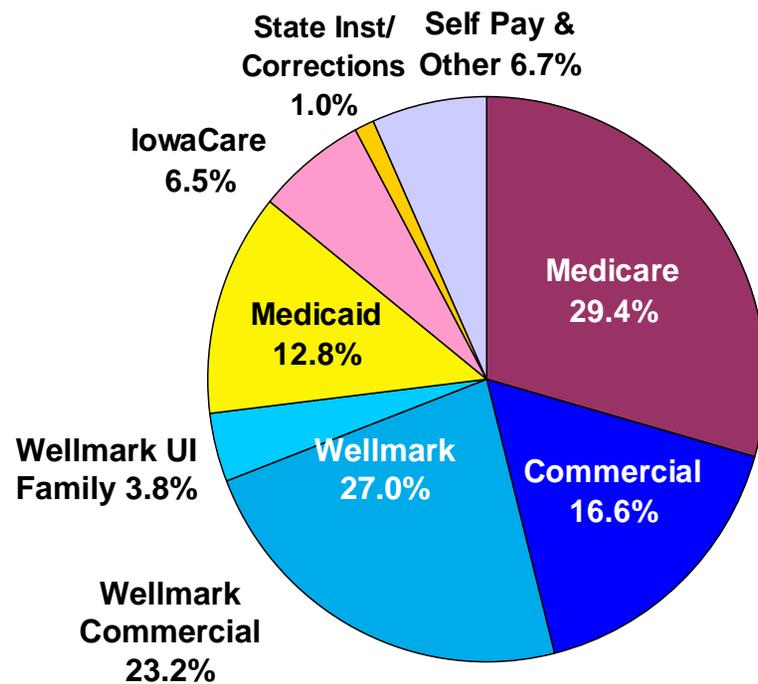


**FY08 TOTAL = \$839,858,227**

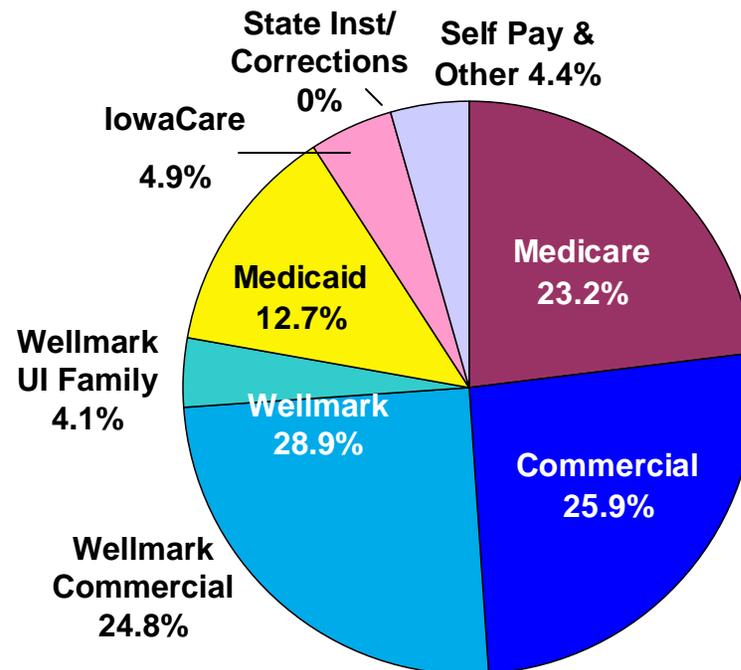
## Other Operating Revenue FY 2008 Budget

<b>Gifts &amp; Grants</b>	<b>\$ 8.5M</b>
<b>Food Sales</b>	<b>8.4M</b>
<b>External Drug Sales</b>	<b>0.6M</b>
<b>Other External Sales</b>	<b>3.2M</b>
<b>Purchased Services – Related Party</b>	<b>18.5M</b>
<b>Total</b>	<b>\$39.2 M</b>

## Gross Patient Charges By Primary Payor

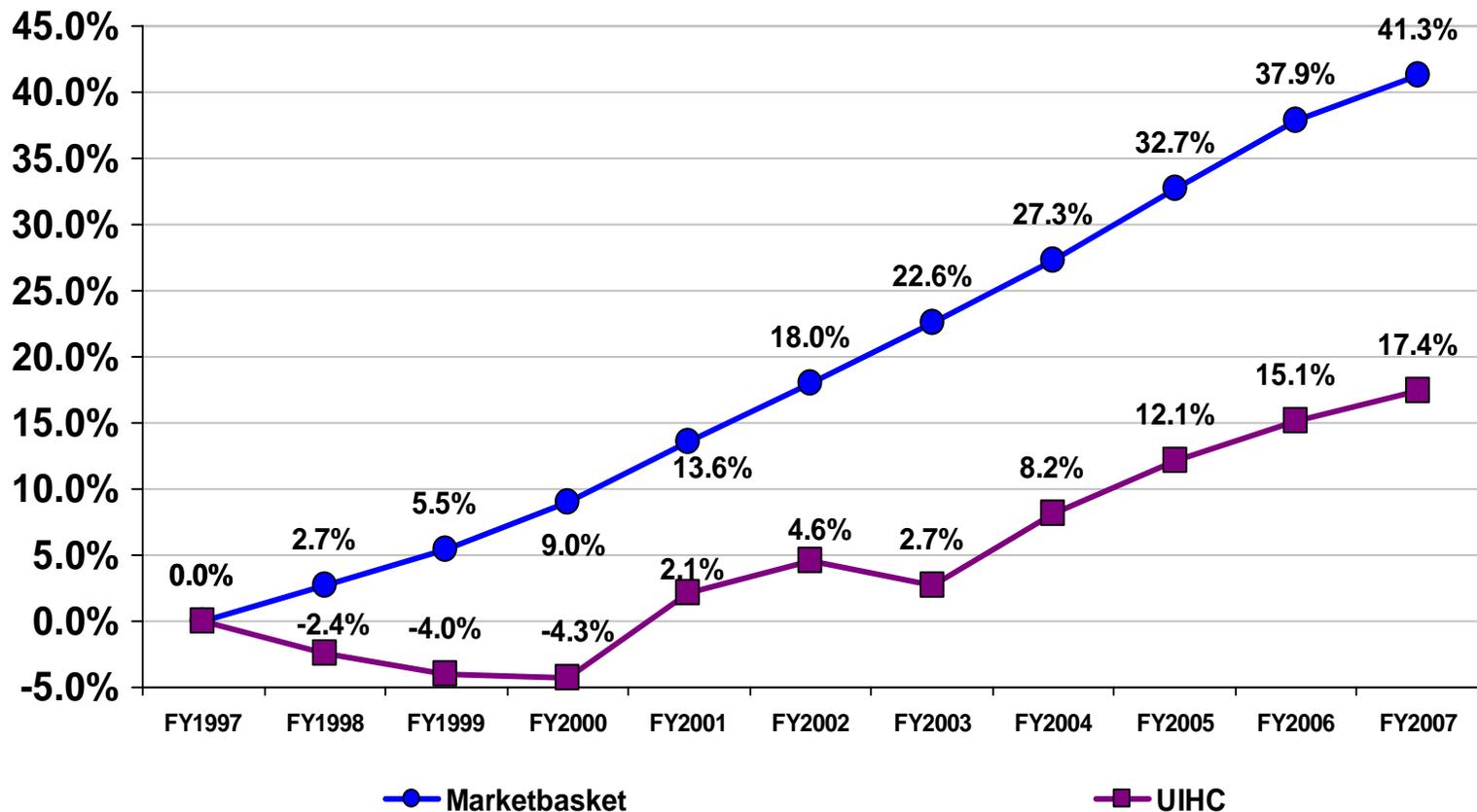


## Reimbursement By Primary Payor



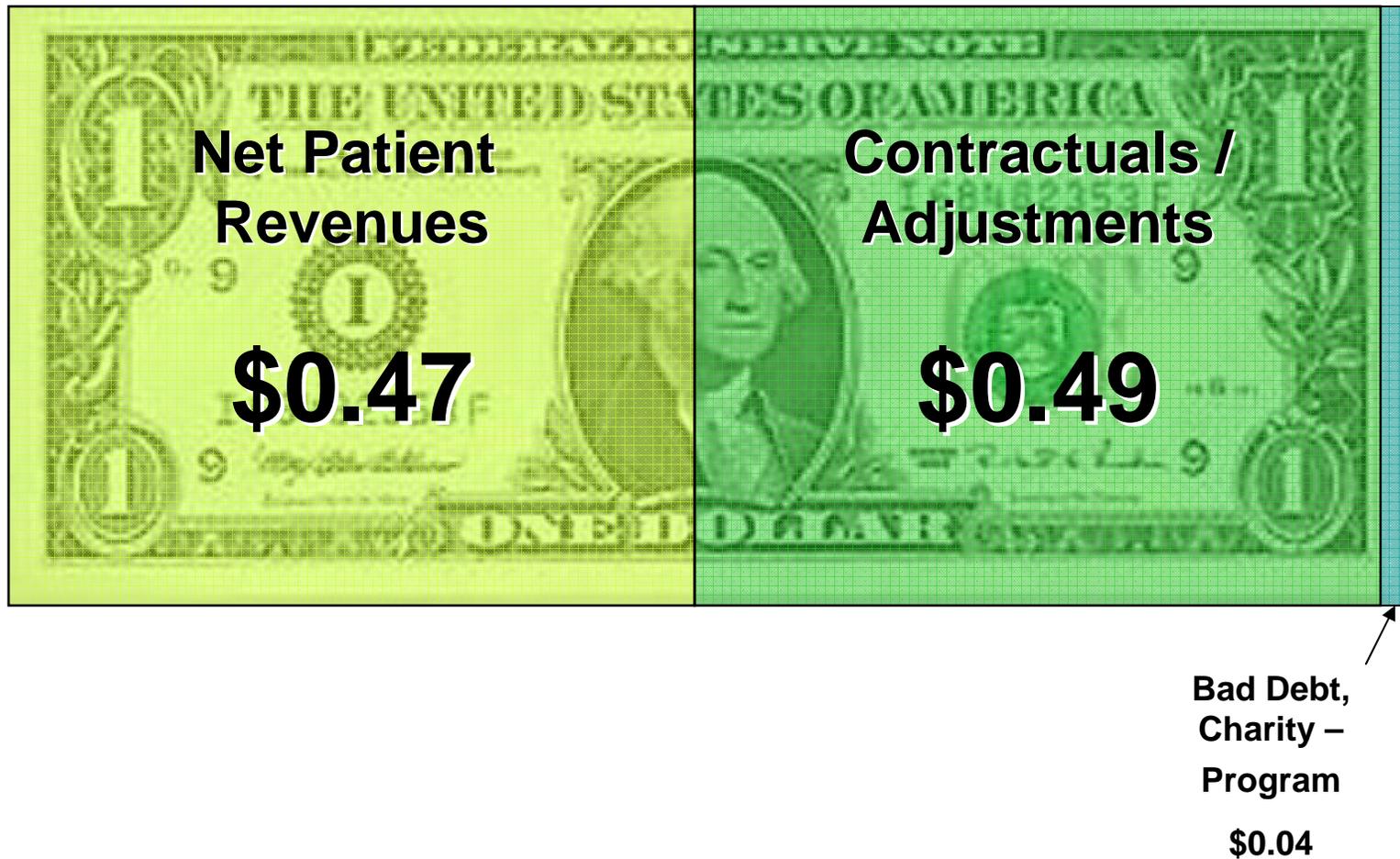
**Year to Date February, 2007**  
Includes Inpatient and Outpatient Services

# 1997 – 2007 Cumulative Medicare Hospital Rate Increases vs. Marketbasket Cost Increases

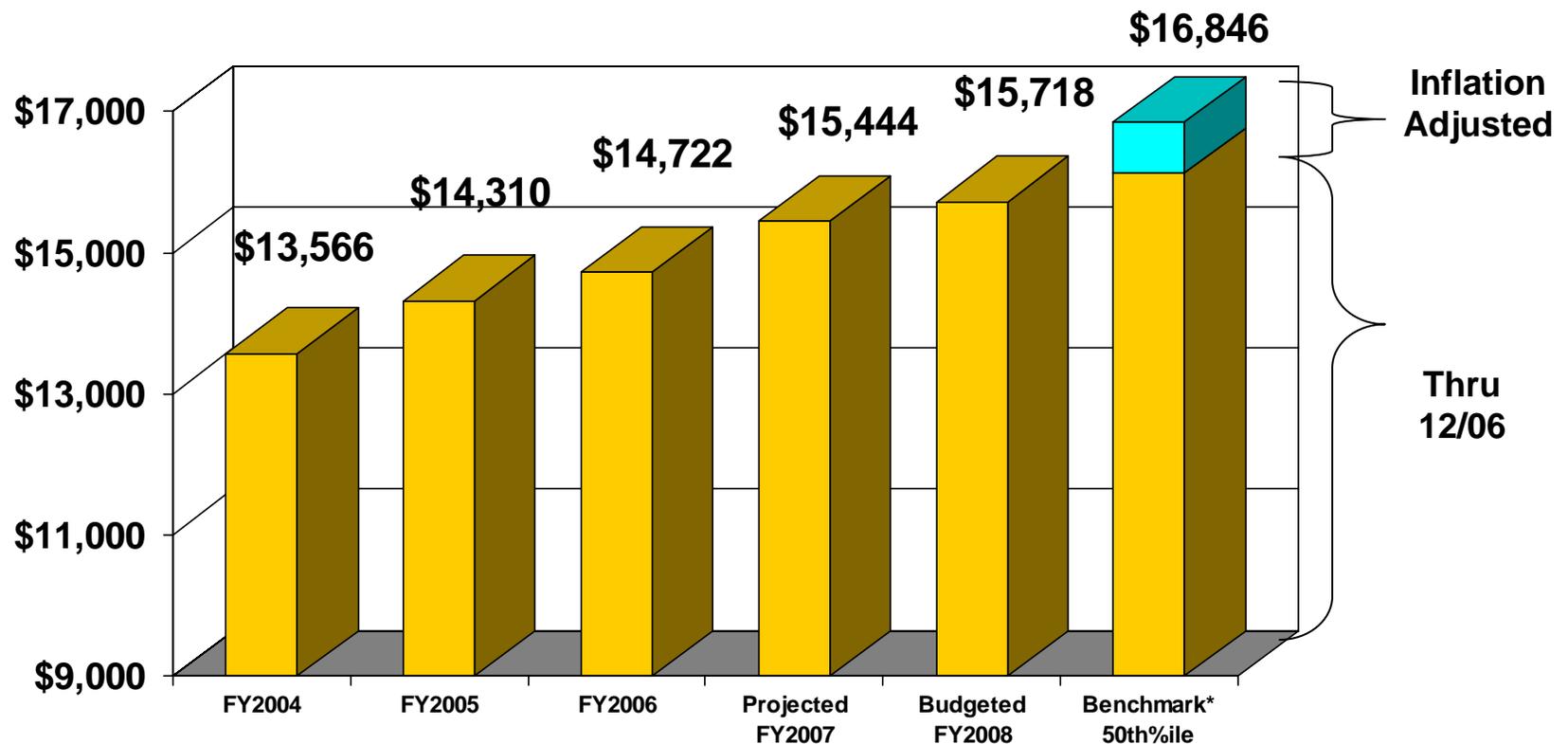


CMS Published Rule and Iowa Hospital Association Impact Analysis

## Relationship of \$1 in Charges to Net Revenue



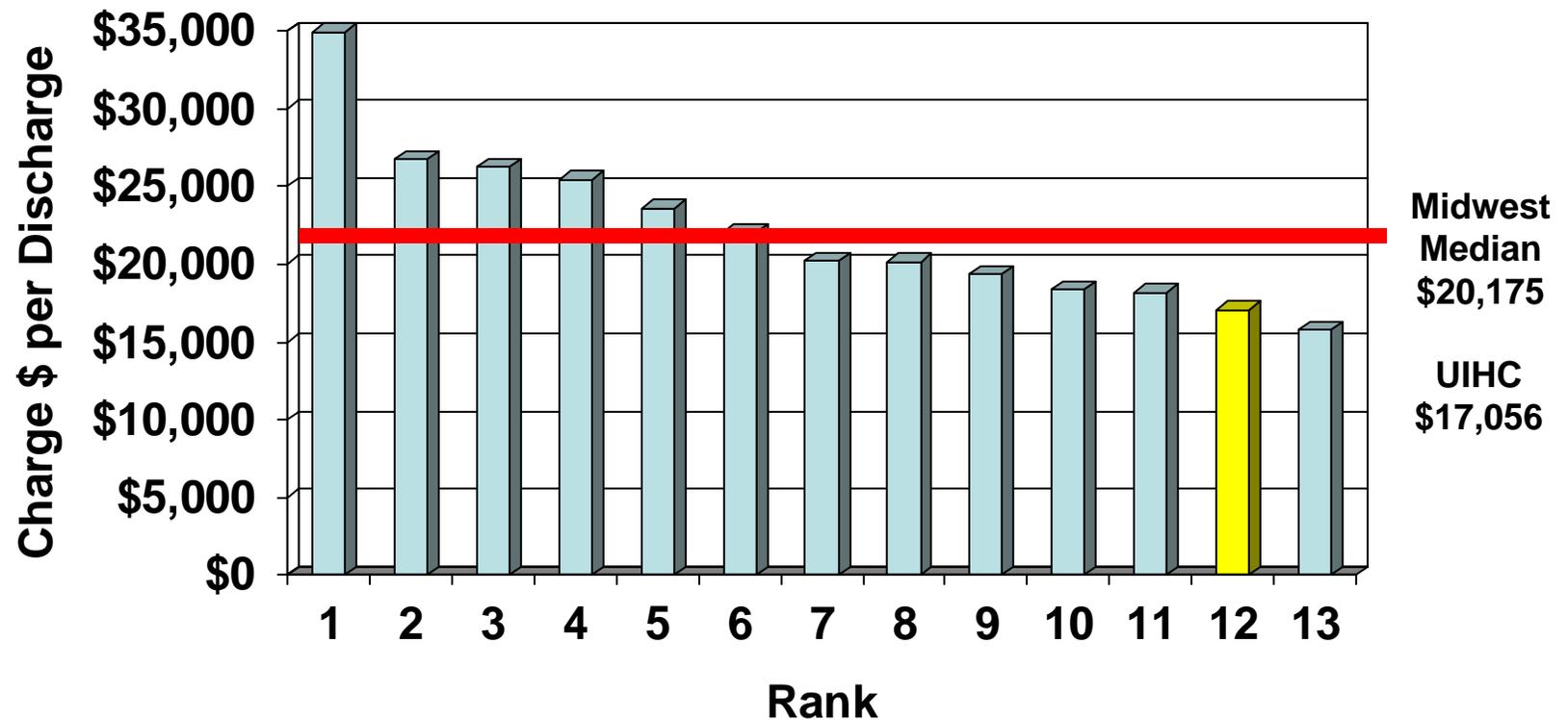
## Net Patient Revenue\*\* per Adjusted Admission



\* Benchmark is the 50th percentile of the University Health System Consortium for the two quarters ended December 2006 of \$16,121 plus an estimated 3% annual increase.

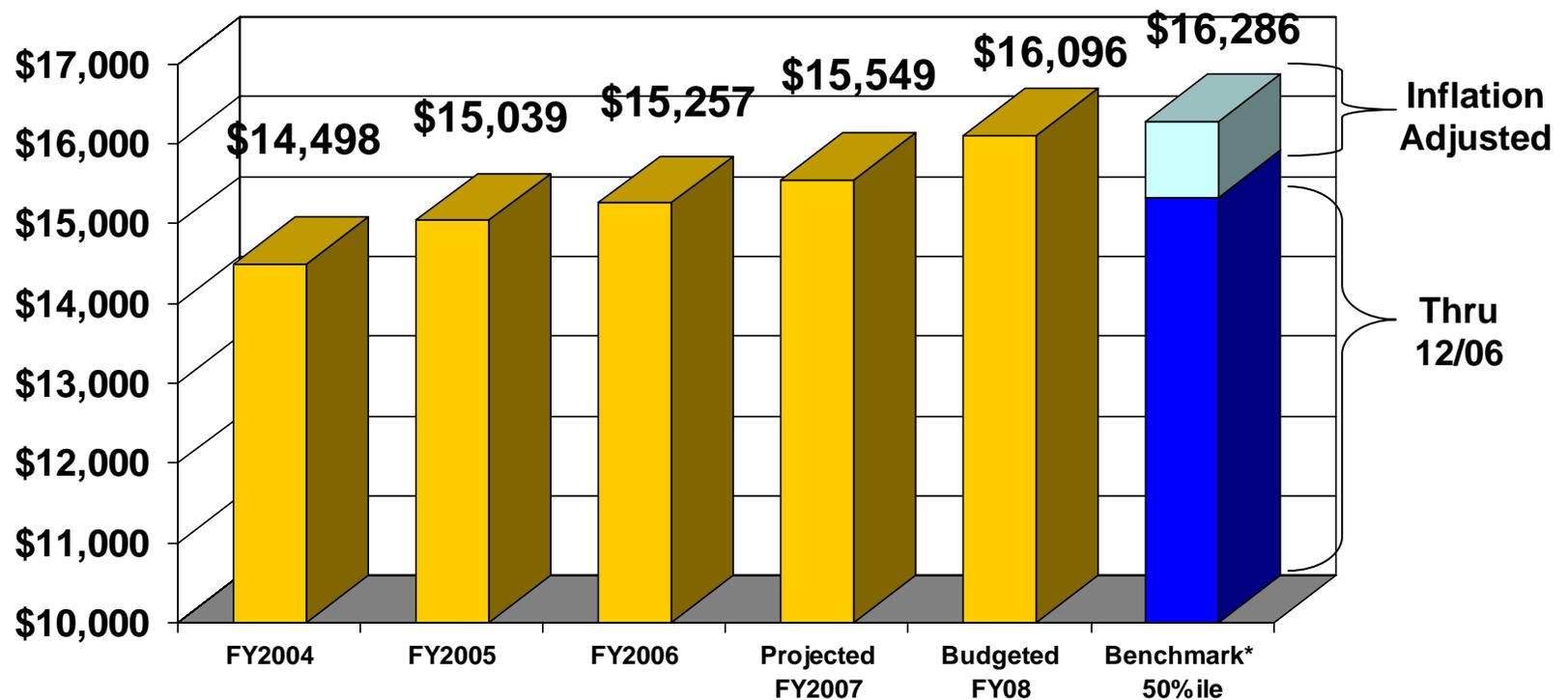
\*\* Net paying patient revenue includes Chapter 255 state indigent patient care program appropriation or Iowa Care Act receipts.

## Midwest Academic Medical Centers Case Mix Adjusted Charges per Discharge CY 2006



Source: University Healthsystem Consortium, case mix adjusted average charges per inpatient discharge.

## Operating Cost per Adjusted Discharge



\* Benchmark is the 50<sup>th</sup> percentile of the University Health System Consortium for the two quarters ended December 2006 of \$15,321 plus 2007 Midwest Medical Care CPI of 4.2% annually.

## Conclusions

- UIHC remains committed to providing healthcare for all Iowans
- UIHC has a mission to provide high quality care, education and research
- In fulfilling this mission, UIHC incurs costs for labor, equipment, supplies and pharmaceuticals
- UIHC must have funds available for capital both now and in the future
- To cover these costs, UIHC is dependent on revenue from third party payors, state appropriations, governmental payors, and self payments
- To supplement these revenues, UIHC continually increases volumes, improves productivity, enhances efficiency, and manages labor, supply and drug costs
- Even with these initiatives the end result is the need for increasing rates – UIHC is requesting a 6% rate increase for FY 2007-2008 and preliminary action on its FY 2008 Operating Budget

## IowaCare and Legislative Update

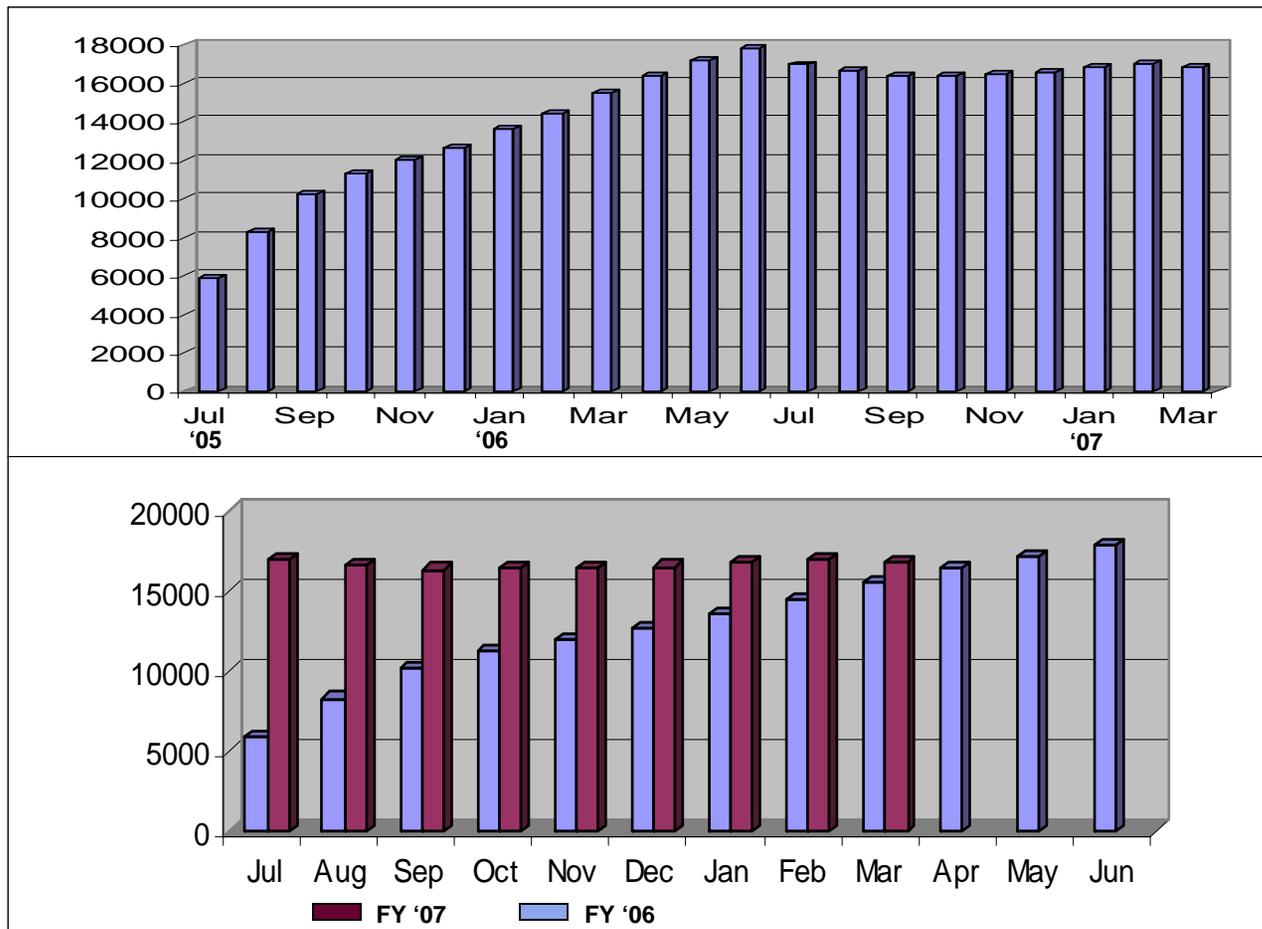
### **Donna Katen-Bahensky**

Senior Associate Vice President for Medical Affairs  
and Chief Executive Officer - UIHC

### **Stacey Cyphert**

Special Advisor to the President,  
Special Advisor to the Dean of CCOM,  
Senior Assistant Hospital Director

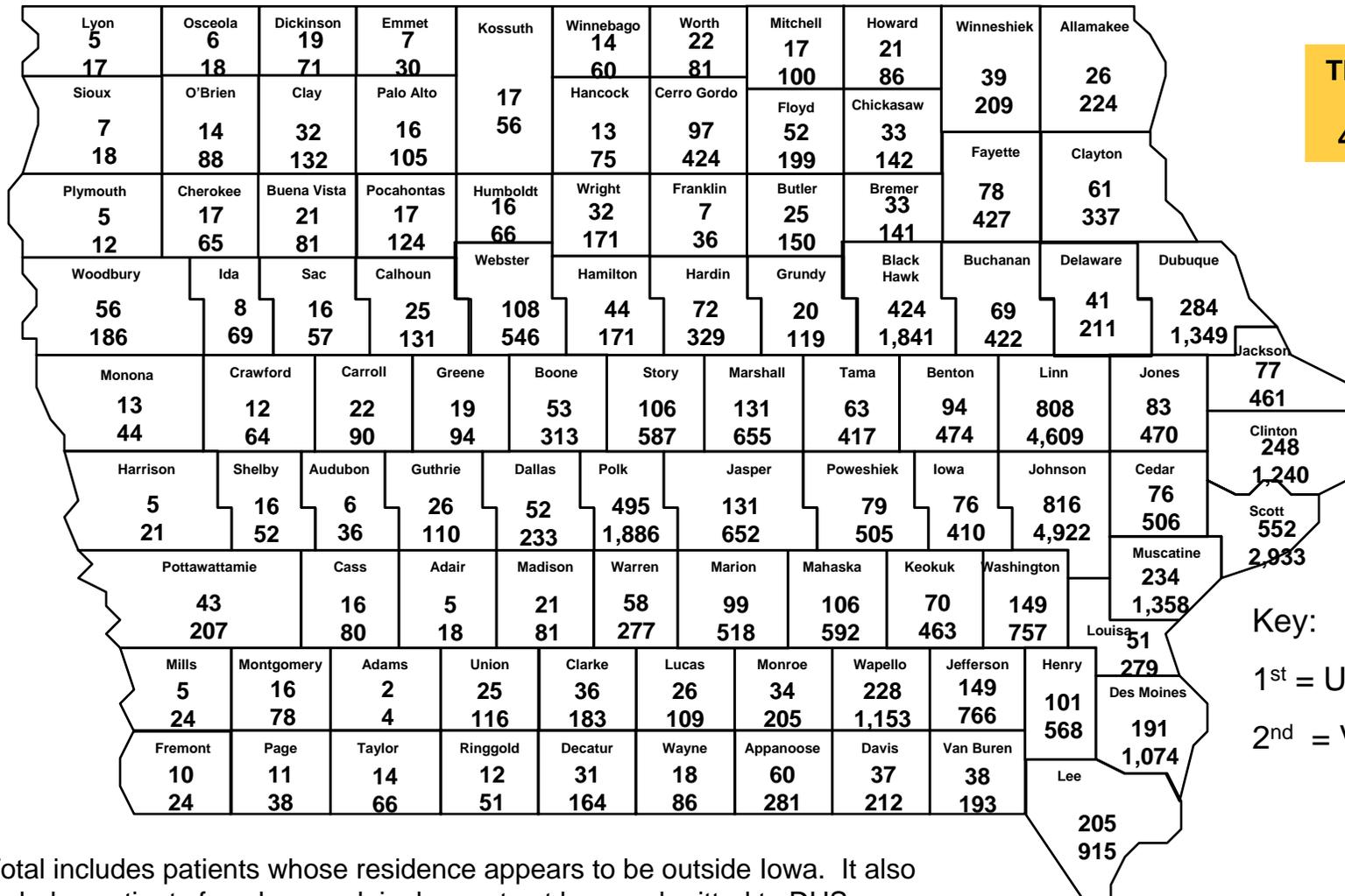
## IowaCare & Chronic Care Enrollment (Net of Disenrollments) From Inception on July 1, 2005 Thru March 31, 2007



**FY 07  
IowaCare  
enrollment  
appears to  
have  
stabilized in  
the mid  
16,000s.**

**Enrollment  
in each  
month of FY  
07 has been  
greater than  
each month  
of FY 06.**

## 8,135 Unique IowaCare & Chronic Care Patients Have Been Seen at the UIHC Between July 1, 2006 and March 31, 2007



These patients  
account for  
42,021 visits.

Key:  
1<sup>st</sup> = Unique Pts.  
2<sup>nd</sup> = Visits

Total includes patients whose residence appears to be outside Iowa. It also includes patients for whom a claim has not yet been submitted to DHS.

## IowaCare Enrollment is Still Substantial in Polk County But Declining as an Overall Percentage

- IowaCare beneficiaries residing in Polk County have the option of receiving care at Broadlawns Medical Center or the University of Iowa Hospitals and Clinics.
- In FY 05 the average number of IowaCare and Chronic Care enrollees each month from Polk County represented 39.3% of the overall average number of IowaCare and Chronic Care enrollees. In FY 06 the average number of IowaCare and Chronic Care enrollees each month from Polk County represented 34.1% of the overall average number of IowaCare and Chronic Care enrollees. This implies more and more patients enrolling in IowaCare must receive treatment at the University of Iowa Hospitals and Clinics.
- 495 unique IowaCare patients from Polk County have been seen at the University of Iowa Hospitals through March 31, 2007. These patients account for 1,886 visits.

## Supplemental IowaCare Funding Forthcoming for the University of Iowa Hospitals and Clinics

- Funding dedicated for IowaCare FY 07 payments to the University of Iowa Hospitals and Clinics (\$27.3 M appropriation plus \$3.7 M carry-forward from FY 06) was exhausted in April.
- SF 403, *An Act addressing financial and regulatory matters by making and revising appropriations, providing for properly related matters, and providing effective dates*, authorizes up to \$10 M in additional payments for the University of Iowa Hospitals and Clinics based on claims submitted for IowaCare patients served in FY 07.
- Moneys appropriated that remain unencumbered or unobligated at the close of FY 07 shall not revert but shall remain available for expenditure for the purposes designated until the close of FY 08.
- None of the supplemental payments will be made to cover expenses associated with the pilot pharmaceutical and durable medical equipment programs operated by the University of Iowa Hospitals and Clinics.

## **UI Hospitals and Clinics Has Self-Funded Pilot Pharmaceutical and Durable Medical Equipment Programs in FY 07**

- August 14, 2006, the University of Iowa Hospitals and Clinics implemented pilot programs without reimbursement to facilitate IowaCare beneficiary access to pharmaceuticals and durable medical equipment.
- Through the end of March, 2007:
  - Over 70,000 prescriptions have been filled at a cost for drugs, labor and shipping of approximately \$2.4 M.
  - Over 7,100 durable medical equipment items have been provided at a cost in excess of \$236,000.
- Given growth in the pilot pharmaceutical program utilization over time, the University of Iowa Hospitals and Clinics projects it could cost nearly \$3.7 M to provide this service alone for all of FY 08.
- A decision on the future of the pilot programs needs to be made should pharmaceutical and durable medical equipment not be included as covered benefits under IowaCare for FY 08.

## UI Hospitals and Clinics Has Subsidized Patient Transportation Services Throughout FY 07

- The University of Iowa Hospitals and Clinics is paid \$0.30 per mile for patient transportation it provides on a voluntary basis to and from an IowaCare beneficiaries' home using its fleet of 10 vans. This payment rate is substantially below the University of Iowa Hospitals and Clinics' costs of providing this service.
- Through the end of March, 2007:
  - Over 466,000 miles have been traveled to make 1,482 round trips to serve in excess of 5,450 patients.
  - Costs have exceeded reimbursement by approximately \$560,000.
- A decision on the future of the University of Iowa Hospitals and Clinics continuation of voluntary provision of patient transportation at reimbursement below costs needs to be made. There are savings that result as a result of expedited discharges. It is not anticipated that full cost reimbursement for transportation will be included as part of IowaCare for FY 08.

## **The University of Iowa Hospitals and Clinics Self-Funds an IowaCare Assistance Center to Facilitate Delivery of Services**

- The Center provides patients and care providers with information about the IowaCare program and covered services, application forms and information about local lodging and transportation options.
- The Center is directed by Peggy O'Neill, R.N., MSN. Janet Schlechte, M.D., serves as Medical Director. Several registered nurses with case management training staff the Center.
- The Center's phone number is (319) 356-1000.
- Annual cost to the University of Iowa Hospitals and Clinics to operate the Center is approximately \$600,000.
- The University of Iowa Hospitals and Clinics plans to continue operation of this Center.

## Several Changes to the IowaCare Program Are Under Consideration By the Iowa General Assembly

- Deleting premium payment obligations for expansion population members whose family income is equal to or less than 100% of the federal poverty level.
- Potentially reducing enrollment in IowaCare by increasing the earned income disregard for parents in the family investment program so that more will qualify for Medicaid.
- Including authorization for the Department of Human Services in FY 08 to reimburse the University of Iowa Hospitals and Clinics for up to \$10 M in services provided above and beyond the initial \$27.3 M appropriation plus any carry-forward from FY 07.
- Instructing the Director of the Department of Human Services to “aggressively pursue” options to expand the IowaCare provider network if sufficient unencumbered local matching funds or alternative funding sources are available to cover the state share of the costs of services provided.

## **Carver College of Medicine Physicians Are Not Reimbursed for Services Provided to IowaCare Beneficiaries**

- Per the laws of the 81<sup>st</sup> General Assembly, 2005 Session, CH. 167 (HF 841), Sec. 47(4), "...a physician or surgeon who provides treatment or care for an expansion population member pursuant to chapter 249J shall not charge or receive any compensation for the treatment or care except the salary or compensation fixed by the state board of regents to be paid from the hospital fund."
- The inability to seek reimbursement for IowaCare services provided means the Carver College of Medicine must generate salary dollars from other sources. Given volume levels under IowaCare are significantly greater than volume levels under the State Papers program, the challenge to the Carver College of Medicine has been magnified.
- For FY 07 is it estimated Carver College of Medicine physicians will forgo \$13.5 M in reimbursement at Iowa Medicaid rates. Changing the prohibition on reimbursement needs to be considered.
- Any plan to expand the IowaCare provider network, which the University of Iowa Hospitals and Clinics and Carver College of Medicine do not oppose, must treat all network providers fairly – if physicians in the expanded network are permitted to bill for IowaCare services so too must Carver College of Medicine physicians.

## **Neither the University of Iowa Hospitals and Clinics nor the Carver College of Medicine Physicians Are Reimbursed for Services Provided to State Institution Patients**

- Per the laws of the 81<sup>st</sup> General Assembly, 2005 Session, CH. 167 (HF 841), Sec. 50 & 51, state institutions may send residents for care at the University of Iowa Hospitals and Clinics without incurring costs for the care provided (state institutions are responsible for travel and attendant costs).
- At Iowa Medicaid reimbursement rates, it is estimated for FY 07 that the University of Iowa Hospitals and Clinics will forgo \$5.1 M and the Carver College of Medicine physicians will forgo an additional \$1.5 M.
- Permitting the University of Iowa Hospitals and Clinics and Carver College of Medicine physicians to be reimbursed for services rendered to state institution patients at least at Iowa Medicaid reimbursement rates should be taken under advisement for future years.

## **A 28E Agreement Pertaining to IowaCare in FY 08 Needs to Be Negotiated**

- Per the laws of the 81<sup>st</sup> General Assembly, 2005 Session, CH. 167 (HF 841), Sec. 25(7), the State Board of Regents, on behalf of the University of Iowa Hospitals and Clinics, and the Department of Human Services, shall execute a 28E agreement annually with respect to IowaCare.
- The current 28 E agreement expires June 30, 2007.
- Negotiations with the Department of Human Services will begin once Governor Culver has signed all relevant IowaCare-related legislation.

# CEO Remarks

## **Donna Katen-Bahensky**

Senior Associate Vice President for Medical Affairs  
and Chief Executive Officer - UIHC

## CEO Remarks

- Recruitment Update
  - Division of Plastic Surgery - Jessica Gillespie, MD
  - Pediatric Cardiac Surgeon – James Davis, MD
  - Chief Financial Officer
  - Chief Nursing Officer
- Accreditation
  - Pediatric Echocardiography Laboratory of University of Iowa Children’s Hospital – granted reaccreditation by the Intersocietal Commission for the Accreditation of Echocardiography Laboratories (ICAEL)
- New Initiatives
  - DJ Sullivan
  - 3 JCP Opening
  - Ambulatory Surgery Center Opening

## Ambulatory Surgery Center



# Ambulatory Surgery Center Opening

## Ribbon Cutting Ceremony



Dr. Amir Arbisser  
providing remarks

## CEO Remarks

- Awards and Recognition
  - Iowa Medical Society's Merit Award – Charles Helms, MD
  - National Institute of Standards and Technology, Baldrige Senior Examiner – Debbie Thoman
  - University of Iowa Children's Hospital – received designation as a member of the United Resource Networks Neonatal Center of Excellence network
  - Doctor's Day – March 30<sup>th</sup>, 2007

