

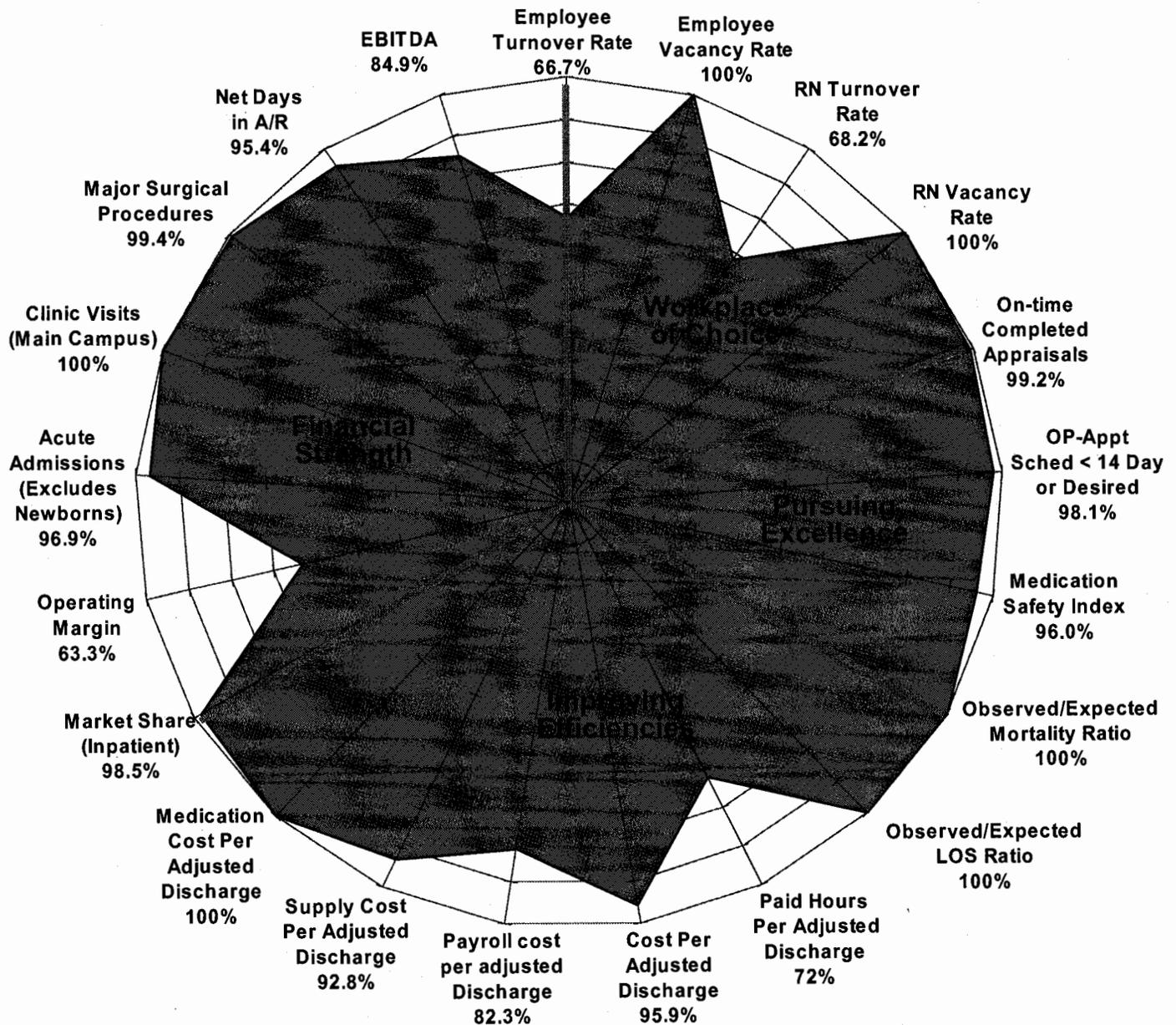
IV. August 2004 Update on Operations, Programs & Finances – Executive Summary

Some new indicators were added to the Institutional Scorecard with the new fiscal year beginning July 1, 2004. The Workplace of Choice indicators reflect an improvement in vacancy rates. The Pursuing Excellence indicators show that outpatient wait times, medication safety and mortality rates are at or near targets. The Improving Efficiencies quadrant shows opportunity for improvement in both supply and payroll costs. Operating margin lags the 3% target in the Financial Strength quadrant but days in accounts receivable is at 95% of target.

Net patient revenues were 3.1% year on year higher at the end of August, net of reductions in both the state appropriation and other operating revenues. Operating expenses were 4.4% higher than one year ago, with the largest increase in general expenses. The operating margin for the two months was 1.9%. Revenue cycle process improvements and controls dropped days in accounts receivable to 68 by the end of August so the target of 65 days for FY 2005 seems very achievable. The case mix index of patients seen in July and August was lower than this time last year but two months data is not predictive of the rest of the year.

IV. August 2004 Update on Operations,
Programs & Finances

UNIVERSITY OF IOWA HOSPITALS AND CLINICS
Institutional Score Card
7/1/04 - 8/31/04



University of Iowa Hospitals and Clinics Institutional Score Card

WORKPLACE OF CHOICE

	Fiscal Year 2004	Fiscal Year 2005 8/31/04 YTD	Fiscal Year 2005 Benchmark
Employee turnover rate	10.4%	15%*	10%
Employee vacancy rate	7.4%	6.0%	7%
RN turnover rate	9.4%	13.2%*	9%
RN vacancy rate	4.9%	4.9%	5%
Employee commitment	3.21	(a)	3.50
On-time completed appraisals	98.8%	99.2%	100%

(a) Available quarterly

* July 1 - August 31 rate annualized

Benchmark Sources: University Hospital Consortium, Ambulatory Care Score Card, JCAHO Standards, UIHC Budget, Moody's Investors Service, Institutional Targets

University of Iowa Hospitals and Clinics Institutional Score Card

PURSUING EXCELLENCE

	Fiscal Year 2004	Fiscal Year 2005 8/31/04 YTD	Fiscal Year 2005 Benchmark
Overall hospital rating (Press Ganey)	86.1%	87.1%	(a)
Likelihood to recommend to others (Press Ganey)	91.6%	92.5%	(a)
Outpatient appointment within 14 days or as desired	78.7%	78.5%	80.0%
Medication safety index	96.0%	96.0%	100.0%
Pneumococcal vaccination rate	(b)	(b)	50.0%
Observed/expected mortality ratio	0.93	0.94	1.00

(a) New survey tool; UHC benchmark data at quarter end

(b) New metric; data collected quarterly

Benchmark Sources: University Hospital Consortium, Ambulatory Care Score Card, JCAHO Standards, UIHC Budget, Moody's Investors Service, Institutional Targets

University of Iowa Hospitals and Clinics Institutional Score Card

IMPROVING EFFICIENCIES

	Fiscal Year 2004	Fiscal Year 2005 8/31/04 YTD	Fiscal Year 2005 Benchmark
Observed/expected LOS* ratio	0.98	0.99	1.00
Paid hours per adjusted discharge **	176.4	171.5	134.0
Cost per adjusted discharge **	\$9,105	\$9,056	\$8,703
Payroll cost per adjusted discharge **	\$4,767	\$4,713	\$4,003
Supply cost per adjusted discharge **	\$1,969	\$1,804	\$1,683
Medication cost per adjusted discharge **	\$501	\$505	\$532

- * LOS = Length of Stay
- ** Case mix index weighted

FY04 financial numbers are based on preliminary, unaudited statements and are subject to change.

Benchmark Sources: University Hospital Consortium, Ambulatory Care Score Card, JCAHO Standards, UIHC Budget, Moody's Investors Service, Institutional Targets

University of Iowa Hospitals and Clinics Institutional Score Card

FINANCIAL STRENGTH

	Fiscal Year 2004	Fiscal Year 2005 8/31/04 YTD	Fiscal Year 2005 Benchmark
Market share (inpatient)	6.9%	6.9% (a)	7.0%
Operating margin	1.6%	1.9%	3.0%
Acute admissions (excludes newborn)	25,384	4,377	4,515
Clinic visits (main campus)	669,045	109,952	108,307
Major surgical procedures	20,644	3,652	3,675
Net days in A/R	72	68	65
Earnings before interest, taxes, depreciation, amortization	\$51,572,935	\$9,786,394	\$11,532,108

(a) Calendar year 2003 due to data lag

FY04 financial numbers are based on preliminary, unaudited statements and are subject to change.

Benchmark Sources: University Hospital Consortium, Ambulatory Care Score Card, JCAHO Standards, UIHC Budget, Moody's Investors Service, Institutional Targets

**UNIVERSITY OF IOWA HOSPITALS AND CLINICS
FY 2005 Institutional Score Card Definitions**

WORKPLACE OF CHOICE

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

PURSUING EXCELLENCE

<u>Indicator</u>	<u>Source/Description</u>	<u>Benchmark</u>
Overall hospital rating	<i>CORM</i> - Press-Ganey Patient Satisfaction Survey % of inpatient adults responding good or very good	UHC median
Recommend to others	<i>CORM</i> - Press-Ganey Patient Satisfaction Survey % of inpatient adults responding good or very good	UHC median
Appt sched < 14 days or desired	<i>CORM</i> - Patient Satisfaction Survey % patients responding appt sched times < 14 days or as desired	Institutional target
Medication safety index	<i>Pharmacy</i> - Index of various medication safety measures based on the nine categories of the ASHP Best Practice Self-Assessment Tool	Institutional target
Pneumococcal vaccination rate	<i>CORM</i> - % of pneumonia patients age 65+ screened for pneumococcal vaccine status and administered vaccine prior to discharge, if indicated	Institutional target
Observed/expected mortality ratio	<i>CORM</i> - Observed mortality rate for 100% acute discharges / UHC risk-adjusted expected mortality rate	UHC

IMPROVING EFFICIENCIES

<u>Indicator</u>	<u>Source/Description</u>	<u>Benchmark</u>
Observed/expected LOS ratio	<i>CORM</i> - UHC observed LOS including outliers & early deaths for 100% acute discharges / UHC expected LOS. OB, recovery, and custodial days not included.	UHC
Paid hours per adjusted discharge	<i>FAS</i> - Total paid hours + contracted hours worked / ((gross patient charges/total gross inpatient charges) *(total patient discharges excluding newborns) *case mix index)	ACTION 50th percentile
Cost per adjusted discharge	<i>FAS</i> - Operating costs / ((gross patient charges/total gross inpatient charges) *(total patient discharges excluding newborns) *case mix index)	ACTION 50th percentile
Payroll cost per adj discharge	<i>FAS</i> - Payroll costs / ((gross patient charges/total gross inpatient charges) *(total patient discharges excluding newborns) *case mix index)	ACTION 50th percentile
Supply cost per adjusted discharge	<i>FAS</i> - Supply costs / ((gross patient charges/total gross inpatient charges) *(total patient discharges excluding newborns) *case mix index)	ACTION 50th percentile
Medication cost per adjusted discharge	<i>Pharmacy</i> - Pharmacy medication costs / ((total gross patient charges / gross inpatient charges) * (total patient discharges excluding newborns) *case mix index)	Current Budget

FINANCIAL STRENGTH

<u>Indicator</u>	<u>Source/Description</u>	<u>Benchmark</u>
Market share (inpatient)	<i>JOMC</i> - Market share of Acute inpatient discharges excluding MDC 19 (mental disease), 20 (alcohol/drug) and 25 (HIV). Source Iowa Hosp Assoc. Lagged six months.	Institutional target
Operating margin	<i>FAS</i> - Operating income divided by net operating revenue	Current Budget
Acute admissions	<i>FAS</i> - Number of acute adult & pediatric patients admitted. Excludes normal newborns.	Current Budget
Clinic visits (UIHC only)	<i>FAS</i> - Total number of UIHC clinic visits. Excludes Outreach and CMS	Current Budget
Major surgical procedures	<i>FAS</i> - Total number of surgical procedures in Main OR, ASC and TURs	Current Budget
Net days in A/R	<i>FAS</i> - Net patient accounts receiveable / (net patient charges / days in period)	Institutional target
Bad debt as a % of gross revenue	<i>FAS</i> - Bad debt expense / gross patient charges	UHC median
EBITDA	<i>FAS</i> - Revenue - expenses (excluding interest, tax, depreciation, and amortization)	Current Budget

UNIVERSITY OF IOWA HOSPITALS AND CLINICS Comparative Financial Results for July through August

	July-August FY 2003 [2]	July-August FY 2004	July-August FY 2005 [1]	% Change '04 to '05
NET REVENUES:				
Total Pay Patient Rev.	\$86,460,710	\$95,265,004	\$99,054,564	4.0%
Appropriations	7,166,821	6,955,702	6,781,825	-2.5%
Other Operating Rev.	5,549,446	6,456,549	6,229,896	-3.5%
Total	\$99,176,977	\$108,677,255	\$112,066,285	3.1%

EXPENSES:

Salaries and Wages	\$52,819,834	\$56,360,177	\$57,832,845	2.6%
General Expenses	37,088,758	41,628,827	44,447,046	6.8%
Depreciation	7,289,426	7,256,200	7,637,448	5.3%
Interest Expense	136,553	20,000	-	-100.0%
Total	\$97,334,571	\$105,265,204	\$109,917,339	4.4%

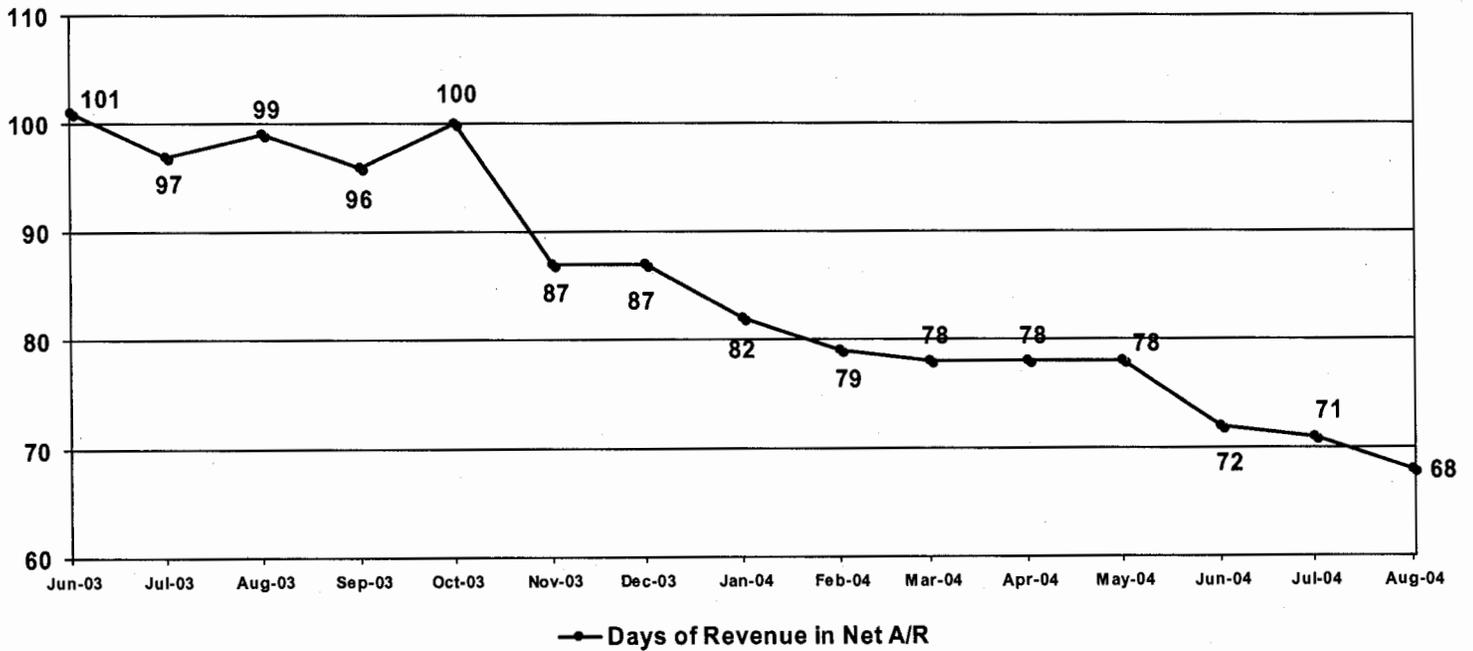
Operating Margin	\$1,842,406	\$3,412,051	\$2,148,946	-37.0%
Operating Margin %	1.9%	3.1%	1.9%	-38.9%

[1] Fiscal year 2004-05 figures are preliminary

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

UNIVERSITY OF IOWA HOSPITALS AND CLINICS Comparative Accounts Receivable as of August 2004

	June 30, 2003	June 30, 2004	August 31, 2004	Median Moody's Aa Rating
Gross Accounts Receivable	\$354,885,862	\$293,860,815	\$313,717,851	na
Net Accounts Receivable	\$143,583,988	\$111,464,828	\$108,520,964	na
Net Days in AR	101	72	68	62.2

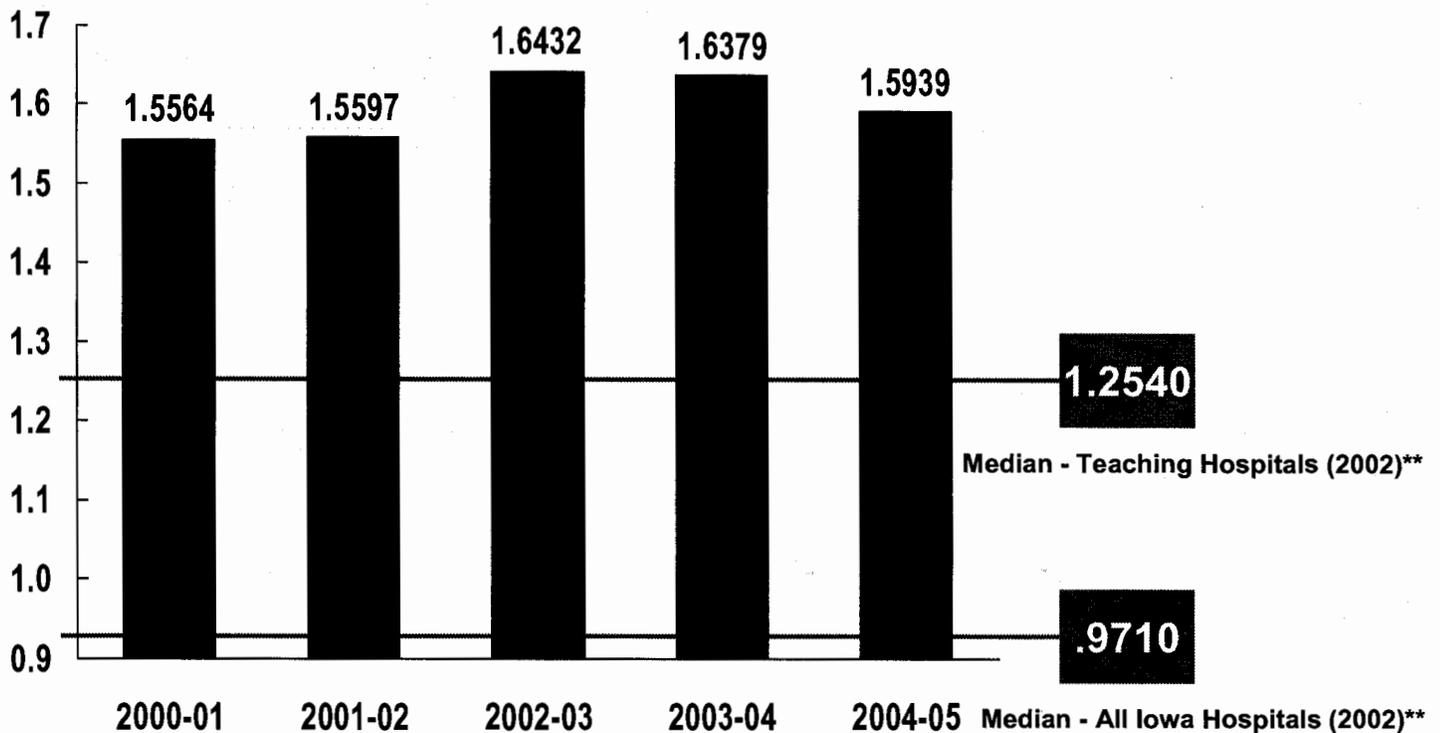


August 2004 figures are preliminary

UNIVERSITY OF IOWA HOSPITALS AND CLINICS

CASE MIX INDEX - ALL ACUTE INPATIENTS*

JULY - AUGUST



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

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