AGENDA

BOARD OF REGENTS, STATE OF IOWA
University of Iowa Hospitals and Clinics

May 1, 2007
Iowa Memorial Union
Iowa City, Iowa

I. University of Iowa Children’s Hospital
   Donna Katen-Bahensky, Senior Vice President of Medical Affairs and Chief Executive Officer - UIHC
   Michael Artman, MD, Physician-In-Chief, UI Children’s Hospital

II. Vision for Ambulatory Care Access
   Jean Robillard, Vice President for Medical Affairs, Dean CCOM

III. Institute of Orthopaedics, Sports Medicine and Rehabilitation
   Donna Katen-Bahensky

IV. FY 2008 Proposed Budget Presentation
   Donna Katen-Bahensky
   Ken Fisher, Interim Associate Vice President for Finance and CFO, UIHC

V. CEO Remarks
   Donna Katen-Bahensky
Michael Artman, M.D.
Physician-in-Chief, UI Children's Hospital &
Professor and Head, Department of Pediatrics
Comprehensive Pediatric Subspecialties

- Adolescent Medicine
- Pediatric Cardiology
- Pediatric Endocrinology
- Pediatric Gastroenterology
- Pediatric Hematology/Oncology
- Pediatric Infectious Disease
- Neonatal-Perinatal Medicine
- Pediatric Nephrology
- Pediatric Neurology
- Pediatric Pulmonology
- Pediatric Anesthesiology
- Pediatric Pathology
- Psychiatric Services
- Pediatric Radiology
- Pediatric Emergency Medicine
- Pediatric Critical Care Medicine
- Pediatric Rheumatology
- Pediatric Developmental Behavioral Medicine
- Child & Adolescent Psychiatry
- Allergy & Immunology
- Dermatology
- Medical Genetics
- Pediatric Cardiothoracic Surgery
- Gynecology
- Pediatric Surgery
- Pediatric Neurosurgery
- Pediatric Ophthalmology
- Pediatric Orthopedics
- Pediatric Otolaryngology
- Pediatric Plastic Surgery/Craniofacial
Special Medical Services

- Audiology
- Autism
- Asthma Management
- Clinical pharmacology
- Complementary/Alternative Medicine
- Cystic Fibrosis program
- Genetic counseling
- Ground, Helicopter and Fixed Wing Transport Program

- HemoDialysis & Peritoneal Dialysis
- Obesity treatment & Prevention
- Sleep disorders
- Sports Medicine
- Spine Program
- Outpatient Rehabilitation
- Inpatient Rehabilitation
- Video EEG
- Transplant Procedures
Child Life Programs

- Child Life Specialists
- Art Therapy
- Music Therapy
- Pet Therapy
- School-Hospital Tutoring Program
- Patient’s Library
Child Life Amenities
### Faculty Composition 2007

<table>
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<tr>
<th>Category</th>
<th>Count</th>
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</thead>
<tbody>
<tr>
<td>Tenured or on Tenure Track</td>
<td>62</td>
</tr>
<tr>
<td>Clinical Track</td>
<td>40</td>
</tr>
<tr>
<td><strong>Total Primary Appointments in Pediatrics</strong></td>
<td>102</td>
</tr>
<tr>
<td>Adjunct or Secondary Appointments</td>
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<tr>
<td>Adjunct Clinical Appointments</td>
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<tr>
<td>Pediatric-trained in Other Departments</td>
<td>23</td>
</tr>
<tr>
<td><strong>Total Children's Hospital</strong></td>
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### Graduate Medical Education 2007

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<tr>
<th>Category</th>
<th>Programs</th>
<th>Positions</th>
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<td>Fellows</td>
<td>13</td>
<td>26</td>
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<td>Residents</td>
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<td><strong>Total</strong></td>
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<td>62</td>
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## Patient Care

### CLINICAL INDICATORS 2007 (projected through Q2)

<table>
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<tr>
<th>Category</th>
<th>Count</th>
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<tbody>
<tr>
<td>Inpatient Admissions</td>
<td>5,515</td>
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<tr>
<td>Surgical Cases</td>
<td>4,000</td>
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<tr>
<td>Dept. of Pediatrics Clinic Visits</td>
<td>60,256</td>
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<tr>
<td>Outreach Visits</td>
<td>9,184</td>
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<tr>
<td>Deliveries</td>
<td>1,840</td>
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<tr>
<td>~50% normal delivery</td>
<td></td>
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<tr>
<td>87 multiple births</td>
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<tr>
<td>Neonatal Admissions</td>
<td>925</td>
</tr>
<tr>
<td>Statewide Market Share</td>
<td>18.3%</td>
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<tr>
<td>Johnson Co. Market Share</td>
<td>74%</td>
</tr>
<tr>
<td>Inpatient Pt. Satisfaction- Rating of “Very Good”</td>
<td>64%</td>
</tr>
<tr>
<td>ETC Pt. Satisfaction- Rating of “Very Good”</td>
<td>55%</td>
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DEPARTMENT OF PEDIATRICS 2007

<table>
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<tr>
<th>Funding Type</th>
<th>Projects</th>
<th>Amount</th>
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<tr>
<td>NIH Funding</td>
<td>46</td>
<td>$13,089,214</td>
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<tr>
<td>Other Funding</td>
<td>134</td>
<td>$ 8,592,892</td>
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<tr>
<td>Total</td>
<td>180</td>
<td>$21,682,106</td>
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</table>

**Pediatric Research throughout the University**
- Other Departments within the College of Medicine
- College of Dentistry
- College of Nursing
- College of Pharmacy
- College of Public Health
Financial Growth – Children’s Hospital

**Net Revenue**
- **FY05**: $12,480,509
- **FY06**: $35,571,048
- **FY07**: $158,951,506

**Contribution Margin**
- **FY05**: $23,480,509
- **FY06**: $46,666,832
- **FY07**: $141,735,330

**FY05** | **FY06** | **FY07**
--- | --- | ---
$12,480,509 | $35,571,048 | $158,951,506
$23,480,509 | $46,666,832 | $141,735,330

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Net Revenue
Contribution Margin
Program of Distinction - Neonatology

- Level 3C Facility
- 55 bed unit
- Interdisciplinary Care Team

- Top 10% Vermont Oxford Network (FY06)
  - International database
  - Tracks outcomes of tiniest babies
  - Greater than 90% survival rate for infants <1500 grams at birth
  - Survival rate for all infants admitted exceeds 96%

- Designated as a “Center of Excellence” by United Resources Network
More Programs of Distinction

- Neonatology
- Cardiac Services
- Endocrinology & Diabetes
- Gastroenterology
- General Surgery
- Genetics & Metabolic Diseases
- Hematology-Oncology
- Neurosciences
- Ophthalmology
- Orthopedic Surgery
- Otolaryngology
- Urology
- Center for Disabilities & Development
Iowa’s Title V Program for Children with Special Health Care Needs in partnership with the Iowa Department of Public Health and The University of Iowa
2007 Accomplishment - Top 20 Ranking

- Ranked #20 **Nationally** by *Child* Magazine's "Best Children's Hospitals"
  - Based on 250 question, outcomes-based survey

"Top 20 Hospitals: The impressive company we keep"
3 Physicians elected to the Institute of Medicine
- Jeffrey Murray, M.D., Val Sheffield, M.D., PhD., & Richard J. Smith, M.D.
- Serve as advisors to the nation to improve health

41 Physicians named to “2006 Best Doctors in America”

Children’s Miracle Network Achievement Award
- Awarded April 2007 at CMN National Convention
- Pioneered non-surgical clubfoot treatment

Dr. Ignacio Ponseti
Philanthropic Support

- **UI Dance Marathon**
  - Student run organization raised ~$880,000 in 2007
  - Over $5 million raised during the past 13 years

- **Children’s Miracle Network affiliate**
  - Awards nearly $1 million annually to use for pediatric research, services, and supplies

- **Other Philanthropic Efforts**
  - 4 Endowed Chairs in the past year
  - Annual Kirk Ferentz fundraising luncheon
  - Special Events
Both intensive care units are operating over ideal capacity levels
- 75% preferred bed utilization

Additional growth projected with addition of new faculty
- Pediatric General Surgery
- Pediatric CT Surgery
- Pediatric Critical Care
- Transplantation

Summer 2007: NICU will open a 15 bed expansion bay
Neonatal Intensive Care Unit
Pediatric Intensive Care Unit
A Hospital...Just for Kids

STANDARD OF CARE NATIONWIDE

- **Innovative Care**
  - High-tech care for the most critically ill & severely injured children
  - Availability of all specialties and services

- **Excellent Service**
  - Designed to meet the physical, social, emotional, and psychological needs of the child and family
  - Age appropriate facility including staff, equipment & amenities to meet the special needs of children

- **Exceptional Outcomes**
  - Multidisciplinary pediatric teams improve outcomes for complex childhood diseases
  - Research focused on treatment and prevention of childhood diseases
Thank You

Right here in Iowa:
A Top 20 Children’s Hospital

Our Secret is Out!
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

- Fundraisers
- Parking Valets
- Educators
- Volunteers
- Social Workers
- Pharmacists
- Dieticians
- Nurses
- Technicians
- Researchers
- Clerks
- Therapists
- Administrators
- Custodians

Patients
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

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 Iowans, 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

Phase I
- Construction Cost Estimate $5,975,000
- Equipment Cost Estimate $2,981,000

Phase II
- Construction $5,073,000

TOTAL PROJECT INCLUDING PHASE I & II $14,029,000

* 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 7th 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 DGSF 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

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<tr>
<th></th>
<th>FY05</th>
<th>FY06</th>
<th>FY07</th>
<th>FY08</th>
<th>FY10</th>
<th>FY12</th>
<th>FY14</th>
<th>FY16</th>
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<td><strong>Exam Rooms</strong></td>
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<td>Exam Rooms</td>
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<td>Encounters (New)</td>
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<td>3,886</td>
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<td>9,934</td>
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<td>Encounters (Return)</td>
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<td>7,702</td>
<td>10,413</td>
<td>14,259</td>
<td>16,327</td>
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<td>21,290</td>
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<td>Total Encounters</td>
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<td>17,524</td>
<td>24,193</td>
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<td>DR X-Rays</td>
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<td>5,632</td>
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<td>MRIs</td>
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<td>644</td>
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<td>1,827</td>
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<td>MRI Rooms (SMC specific)</td>
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<td><strong>Outpatient Surgery</strong></td>
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<td>Number of Procedures</td>
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<td>744</td>
<td>784</td>
<td>937</td>
<td>1,137</td>
<td>1,540</td>
<td>1,759</td>
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<td>12</td>
<td>15</td>
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<td>16</td>
<td>15</td>
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<tr>
<td>New Procedures over Previous Year</td>
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<td>40</td>
<td>153</td>
<td>83</td>
<td>218</td>
<td>107</td>
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<td>Growth Rate</td>
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<td>NA</td>
<td>5.4%</td>
<td>19.5%</td>
<td>7.9%</td>
<td>16.5%</td>
<td>6.5%</td>
<td>6.4%</td>
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<td># New Procedures over 06</td>
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<td>NA</td>
<td>40</td>
<td>193</td>
<td>393</td>
<td>796</td>
<td>1,015</td>
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<tr>
<td><strong>Inpatient Cases</strong></td>
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<td>Number of Cases</td>
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<td>278</td>
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<td>430</td>
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<td><strong>Staff (FTE)</strong></td>
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<tr>
<td><strong>Clinicians</strong></td>
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<td>Surgeons</td>
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<td>1.0</td>
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<td>2.0</td>
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<td>2.0</td>
</tr>
</tbody>
</table>
### Incremental Margin by Combined Revenue Source

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

- 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 organization’s off-site strategies, this site is an ideal location for the IOSMR and also fits within the University’s 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

Kenneth Fisher
Interim Associate Vice President for Finance and CFO, 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
Off Site Clinics Providing Patient Care to Iowa Communities 2005-2006

- **MOBILE CHILD HEALTH SPECIALTY CLINICS.*** 95
- **REGIONAL CHILD HEALTH SPECIALTY CENTERS.*** 3,287
- **BIRTH TO 5-YEARS*** 1,406
- **REGIONAL GENETIC CONSULTATION SERVICE** 930
- **UI CMS AND HOMECARE** 161,633

(*NUMBER IN ICON INDICATES DIFFERENT CLINIC TYPES LOCATED AT SITE)
(**TOTAL VISIT COUNT INCLUDES COMMUNITIES SERVED OUTSIDE OF IOWA)
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

- INTERNAL MEDICINE: 74
- FAMILY MEDICINE/Psychiatry: 9
- Anesthesia: 53
- Family Practice: 16
- Dermatology: 13
- Orthopaedics: 27
- Pediatrics: 35
- Surgery: 28
- Urology: 15
- Radiology: 37
- Pathology: 20
- Neurosurgery: 12
- Occupational Medicine: 4

197 FELLOW DOCTORS

- Medical Subspecialties: 137
  - Pathology: 31
  - Radiation Oncology: 5
- Surgical Subspecialties: 29
  - Obstetrics and Gynecology: 16
- Neurology: 19
- Emergency Medicine: 14
- Medicine/Psychiatry: 9
- Family Practice/Psychiatry: 8
- Psychiatry: 31
- Radiology: 37
- Otolaryngology: 25
- Ophthalmology: 15
- Oral Surgery: 10
- Obstetrics and Gynecology: 16
- Family Dentistry: 4
- Neurology: 19
- Occupational Medicine: 4
### UNIVERSITY OF IOWA HOSPITALS AND CLINICS EDUCATIONAL PROGRAMS

- Graduate Medical and Dental Education - Fellows
- Graduate Medical Education - Residents
- Graduate Dental Education - Residents
- Medical Scientist Training Program (MSTP)
- Pharmacy Residents
- Speech Pathology and Audiology Post Doctoral Fellows
- Radiologic Technology
- Computed Tomography Program
- Cardiovascular Interventional Program
- Magnetic Resonance Imaging Program
- Diagnostic Medical Sonography Program
- Diagnostic Cardiac Sonography Program
- Nuclear Medicine Technology
- Radiation Therapy Technology
- Health Administration Residents and Fellows
- Clinical Pastoral Education Residency
- Supervisory Clinical Pastoral Education
- Dietetics Interns
- Electroneurodiagnostic Technology
- Orthoptic Training Program
- Emergency Medical Services Learning Resource Center
- Cardiovascular Perfusion

### UNIVERSITY OF IOWA HEALTH SCIENCE COLLEGE PROGRAMS

- Medical Undergraduates
- Nursing Ph.D.
- Master's of Nursing
- Nursing Undergraduate
- Pharm. D.
- Speech Pathology and Audiology Ph.D.
- Master's of Speech Pathology and Audiology
- AUD
- Speech Pathology and Audiology Undergraduate
- Physical Therapy Ph.D.
- Master's of Physical Therapy (MA)
- Physical Therapy Program
- Dentistry
- Health Administration PH.D.
- Master's of Health Administration (MHA)
- Physician Assistants
- Clinical Laboratory Science
- Extended Clinical Pastoral Education (Introductory)

### OTHER UNIVERSITY OF IOWA AND COMMUNITY COLLEGE PROGRAMS

- Respiratory Therapy Students
- Electroneurodiagnostic Technology Students
- Health Information Management Interns
- Occupational Therapy Interns
- Activities Therapy Students
- Activities Therapy Interns
- Physical Therapy Students
- Nursing Students
- Education Service Interns
- Social Work Students

---

**47 Programs**

**2,395 Students**
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
    • A Full-Time Employee may be off work an average of 7.3 weeks annually due to vacation, holiday, and sick time.
    • Sick time includes personal illness, family care giving, Family Medical Leave Act, medical LOA, bereavement and jury duty.
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 oversight 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

<table>
<thead>
<tr>
<th></th>
<th>UIHC FY 08 Budget*</th>
<th>Median Moody’s Aa Rating**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Days Cash on Hand</td>
<td>265.0</td>
<td>253.4</td>
</tr>
<tr>
<td>EBDITA Margin</td>
<td>11.6%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Debt to Capitalization Percent</td>
<td>7.7%</td>
<td>31.3%</td>
</tr>
<tr>
<td>Days in Accounts Receivable</td>
<td>47.0</td>
<td>52.4</td>
</tr>
<tr>
<td>Average Age of Plant</td>
<td>8.2</td>
<td>9.1</td>
</tr>
</tbody>
</table>

* 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

<table>
<thead>
<tr>
<th>Expense Category</th>
<th>Assumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages (Contracts for SEIU, AFSCME, P&amp;S staff)</td>
<td>5.5%</td>
</tr>
<tr>
<td>Patient care supplies (Novation pricing report)</td>
<td>4.0%</td>
</tr>
<tr>
<td>Departmental supplies (Novation pricing report)</td>
<td>4.5%</td>
</tr>
<tr>
<td>Drugs (American Journal of Health-System Pharmacy)</td>
<td>7.0%</td>
</tr>
<tr>
<td>Utilities (Purchase from UI including capital facility costs)</td>
<td>9.0%</td>
</tr>
<tr>
<td>Professional services</td>
<td>2.5%</td>
</tr>
<tr>
<td>Medical services (Novation pricing report)</td>
<td>4.0%</td>
</tr>
<tr>
<td>Food products (USDA pricing estimate)</td>
<td>3.5%</td>
</tr>
</tbody>
</table>
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

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

* 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

<table>
<thead>
<tr>
<th></th>
<th>Budget FY 2008 Proposed</th>
<th>Projected FY 2007</th>
<th>Actual FY 2006</th>
<th>FY08 to Proj FY07 Variance $</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Patient Revenues</td>
<td>$ 787,285</td>
<td>$ 753,394</td>
<td>$ 688,004</td>
<td>$ 33,892</td>
<td>4.5%</td>
</tr>
<tr>
<td>State Appropriations</td>
<td>13,406</td>
<td>13,406</td>
<td>13,406</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>39,166</td>
<td>38,399</td>
<td>38,918</td>
<td>768</td>
<td>2.0%</td>
</tr>
<tr>
<td><strong>Total Net Revenue</strong></td>
<td><strong>$ 839,858</strong></td>
<td><strong>$ 805,199</strong></td>
<td><strong>$ 740,329</strong></td>
<td><strong>$ 34,660</strong></td>
<td><strong>4.3%</strong></td>
</tr>
</tbody>
</table>

**Operating Expenses:**

<table>
<thead>
<tr>
<th>Expense</th>
<th>Budget FY 2008 Proposed</th>
<th>Projected FY 2007</th>
<th>Actual FY 2006</th>
<th>FY08 to Proj FY07 Variance $</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, Wages &amp; Benefits</td>
<td>$ 422,812</td>
<td>$ 401,369</td>
<td>$ 370,913</td>
<td>$ 21,442</td>
<td>5.3%</td>
</tr>
<tr>
<td>Supplies and Drugs</td>
<td>165,688</td>
<td>155,305</td>
<td>141,318</td>
<td>10,383</td>
<td>6.7%</td>
</tr>
<tr>
<td>Med. &amp; Professional Services</td>
<td>71,378</td>
<td>65,635</td>
<td>70,776</td>
<td>5,743</td>
<td>8.8%</td>
</tr>
<tr>
<td>Repairs and Maintenance</td>
<td>14,535</td>
<td>14,180</td>
<td>13,583</td>
<td>355</td>
<td>2.5%</td>
</tr>
<tr>
<td>Rents and Leases</td>
<td>5,678</td>
<td>5,540</td>
<td>4,665</td>
<td>138</td>
<td>2.5%</td>
</tr>
<tr>
<td>Utilities</td>
<td>23,574</td>
<td>21,628</td>
<td>21,219</td>
<td>1,946</td>
<td>9.0%</td>
</tr>
<tr>
<td>General Expenses</td>
<td>$ 38,409</td>
<td>$ 36,297</td>
<td>$ 35,571</td>
<td>2,113</td>
<td>5.8%</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>$ 742,075</strong></td>
<td><strong>$ 699,954</strong></td>
<td><strong>$ 658,044</strong></td>
<td><strong>$ 42,121</strong></td>
<td><strong>6.0%</strong></td>
</tr>
</tbody>
</table>

**EBDITA**

<table>
<thead>
<tr>
<th></th>
<th>Budget FY 2008 Proposed</th>
<th>Projected FY 2007</th>
<th>Actual FY 2006</th>
<th>FY08 to Proj FY07 Variance $</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 97,784</td>
<td>$ 105,244</td>
<td>$ 82,285</td>
<td>$(7,461)</td>
<td>-7.1%</td>
</tr>
<tr>
<td>EBDITA %</td>
<td>11.6%</td>
<td>13.1%</td>
<td>11.1%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Depreciation & Amortization**

<table>
<thead>
<tr>
<th></th>
<th>Budget FY 2008 Proposed</th>
<th>Projected FY 2007</th>
<th>Actual FY 2006</th>
<th>FY08 to Proj FY07 Variance $</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 64,121</td>
<td>$ 58,583</td>
<td>$ 54,979</td>
<td>$ 5,538</td>
<td>9.5%</td>
</tr>
</tbody>
</table>

**Operating Income**

<table>
<thead>
<tr>
<th></th>
<th>Budget FY 2008 Proposed</th>
<th>Projected FY 2007</th>
<th>Actual FY 2006</th>
<th>FY08 to Proj FY07 Variance $</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 33,662</td>
<td>$ 46,661</td>
<td>$ 27,306</td>
<td>$(12,999)</td>
<td>-27.9%</td>
</tr>
<tr>
<td>Operating Income %</td>
<td>4.0%</td>
<td>5.8%</td>
<td>3.7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Non-recurring Items**

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain (Loss) on Investments</td>
<td>20,623</td>
<td>22,138</td>
<td>10,328</td>
<td>(1,514)</td>
<td>-6.8%</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>$ 54,286</td>
<td>$ 68,799</td>
<td>$ 48,342</td>
<td>$(14,513)</td>
<td>-21.1%</td>
</tr>
<tr>
<td>Net Income %</td>
<td>6.3%</td>
<td>8.3%</td>
<td>6.4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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

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

- **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

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

<table>
<thead>
<tr>
<th>(000's)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expense</td>
<td>$ 755,977</td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>64,121</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>33,662</td>
</tr>
<tr>
<td>Required Net Operating Revenue</td>
<td>853,760</td>
</tr>
</tbody>
</table>

**Paid by Existing Patients - current rates**

<table>
<thead>
<tr>
<th>Payor</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental Payors</td>
<td>266,539</td>
</tr>
<tr>
<td>Wellmark/Blue Cross</td>
<td>218,708</td>
</tr>
<tr>
<td>Commercial Payors</td>
<td>194,017</td>
</tr>
<tr>
<td>Iowa Care</td>
<td>40,000</td>
</tr>
<tr>
<td>State Appropriations</td>
<td>13,406</td>
</tr>
<tr>
<td>Self Pay</td>
<td>3,960</td>
</tr>
<tr>
<td>All Other</td>
<td>30,170</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>766,800</td>
</tr>
</tbody>
</table>

**Paid by New Patients - current rates**

<table>
<thead>
<tr>
<th>Payor</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental Payors</td>
<td>4,722</td>
</tr>
<tr>
<td>Wellmark/Blue Cross</td>
<td>4,426</td>
</tr>
<tr>
<td>Commercial Payors</td>
<td>3,927</td>
</tr>
<tr>
<td>Iowa Care</td>
<td>860</td>
</tr>
<tr>
<td>State Appropriations</td>
<td>-</td>
</tr>
<tr>
<td>Self Pay</td>
<td>80</td>
</tr>
<tr>
<td>All Other</td>
<td>561</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,575</td>
</tr>
</tbody>
</table>

**Paid by Contracted Rate Increase**

<table>
<thead>
<tr>
<th>Payor</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental Payors</td>
<td>5,240</td>
</tr>
<tr>
<td>Wellmark/Blue Cross</td>
<td>6,115</td>
</tr>
<tr>
<td>All Other</td>
<td>516</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,871</td>
</tr>
</tbody>
</table>

**Other Operating Revenue**

|                                           | 39,166 |

**Total Patient and Other Operating Revenue**

|                                           | 832,412 |

**Expense Savings from Efficiency Efforts**

|                                           | 13,902  |

**Net Cost Covered by 6% Charge Rate Increase**

<p>|                                           | $ 7,446 |</p>
<table>
<thead>
<tr>
<th>Source</th>
<th>Rate</th>
<th>Volume</th>
<th>FY 2008 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare – payment update factor of 2.65%</td>
<td>$5.2M</td>
<td>$3.3M</td>
<td>$8.5M</td>
</tr>
<tr>
<td>Medicaid – no increase</td>
<td>0.0</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>IowaCare – no increase</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>State Institution Patients – no payment for services</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Wellmark – payment update factor of 3.0%</td>
<td>6.1</td>
<td>4.4</td>
<td>10.5</td>
</tr>
<tr>
<td>Others – Commercial, Managed Care, and Self Pay</td>
<td>8.0</td>
<td>5.5</td>
<td>13.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$19.3M</td>
<td>$14.6M</td>
<td>$33.9M</td>
</tr>
</tbody>
</table>
Combined Hospitals Sources and Uses
FY08 Proposed Budget

- Net Patient Revenue
  - $747,285,803
  - 89.0%

- Other Operating Revenue
  - $39,166,473
  - 4.7%

- Psychiatric Hospital
  - $7,043,056
  - 0.8%

- Iowa Care Act
  - $40,000,000
  - 4.7%

- CDD
  - $6,363,274
  - 0.8%

- EBDITA
  - $81.0 Million

- Utilities and Repairs
  - $38,108,933
  - 4.5%

- Margin Reserve
  - $33,662,347
  - 4.0%

- Depreciation and Amortization
  - $64,121,159
  - 7.6%

- Staffing Costs
  - $422,811,503
  - 50.3%

- Medical Supplies and Services
  - $281,154,285
  - 33.6%

FY08 TOTAL = $839,858,227

FY08 TOTAL = $839,858,227
## Other Operating Revenue
### FY 2008 Budget

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gifts &amp; Grants</td>
<td>$ 8.5M</td>
</tr>
<tr>
<td>Food Sales</td>
<td>8.4M</td>
</tr>
<tr>
<td>External Drug Sales</td>
<td>0.6M</td>
</tr>
<tr>
<td>Other External Sales</td>
<td>3.2M</td>
</tr>
<tr>
<td>Purchased Services – Related Party</td>
<td>18.5M</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$39.2 M</strong></td>
</tr>
</tbody>
</table>
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 Revenues $0.47

Contractuals / Adjustments $0.49

Bad Debt, Charity – Program $0.04
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 $15,082 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 50th percentile of the University Health System Consortium for the two quarters ended December 2006 of $15,231 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
Aggregate Fringe Benefit Costs as a Percent of Salary Dollar

Iowa Hospitals Data Bank, 2006 25.8%
Median for University HealthSystem Consortium (UHC) hospitals reporting to ACTION OI for the two quarters ending December 2006 24.0%
Aggregate Rate Increase History

Source: Iowa Hospital Association Databank based on average inpatient charges per patient day
CEO Remarks

Donna Katen-Bahensky
Senior Associate Vice President for Medical Affairs
and Chief Executive Officer - UIHC
CEO Remarks

- Operating and Financial Performance (YTD Feb. 2007)
  - Admissions, Patient Days, Surgeries and ETC visits were up from budget and prior year
  - Revenues were up from budget, as were expenses due to increased volume
  - Operating Margin closed at 5.9%
  - Accounts Receivable finished at 44 days
CEO Remarks

• IowaCare and Legislative Update
  – Enrollment has stabilized in mid 16,000s
  – 42,021 visits with patients from all 99 counties
  – Funding for FY07 payments to UIHC exhausted in April
  – 70,000 prescriptions for $2.4 million; 7,100 durable medical equipment items for $236,000
  – 466,000 miles have been traveled to make 1,482 round trips to serve 5,450 patients
  – IowaCare Assistance 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
    • 319-356-1000
    • Annual cost approximately $600,000
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 Arbiser 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 30th, 2007