

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



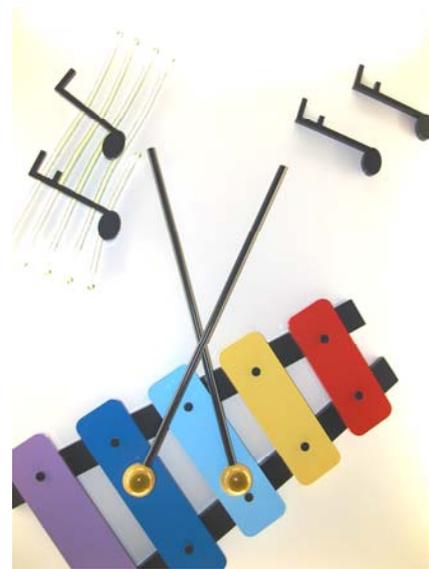
- Audiology
- Autism
- Asthma Management
- Clinical pharmacology
- Complementary/Alternative Medicine
- Cystic Fibrosis program
- Genetic counseling
- Ground, Helicopter and Fixed Wing Transport Program
- HemoDialysis & Peritoneal Dialysis
- Obesity treatment & Prevention
- Sleep disorders
- Sports Medicine
- 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



Pediatric Physicians



FACULTY COMPOSITION 2007	
Tenured or on Tenure Track	62
Clinical Track	40
Total Primary Appointments in Pediatrics	102
Adjunct or Secondary Appointments	22
Adjunct Clinical Appointments	62
Pediatric-trained in Other Departments	23
Total Children's Hospital	209

GRADUATE MEDICAL EDUCATION 2007		
	Programs	Positions
Fellows	13	26
Residents	1	36
Total	14	62

Patient Care



CLINICAL INDICATORS 2007 (projected through Q2)	
Inpatient Admissions	5,515
Surgical Cases	4,000
Dept. of Pediatrics Clinic Visits	60,256
Outreach Visits	9,184
Deliveries <ul style="list-style-type: none"> ● ~50% normal delivery ● 87 multiple births 	1,840
Neonatal Admissions	925
Statewide Market Share	18.3%
Johnson Co. Market Share	74%
Inpatient Pt. Satisfaction- Rating of "Very Good"	64%
ETC Pt. Satisfaction- Rating of "Very Good"	55%

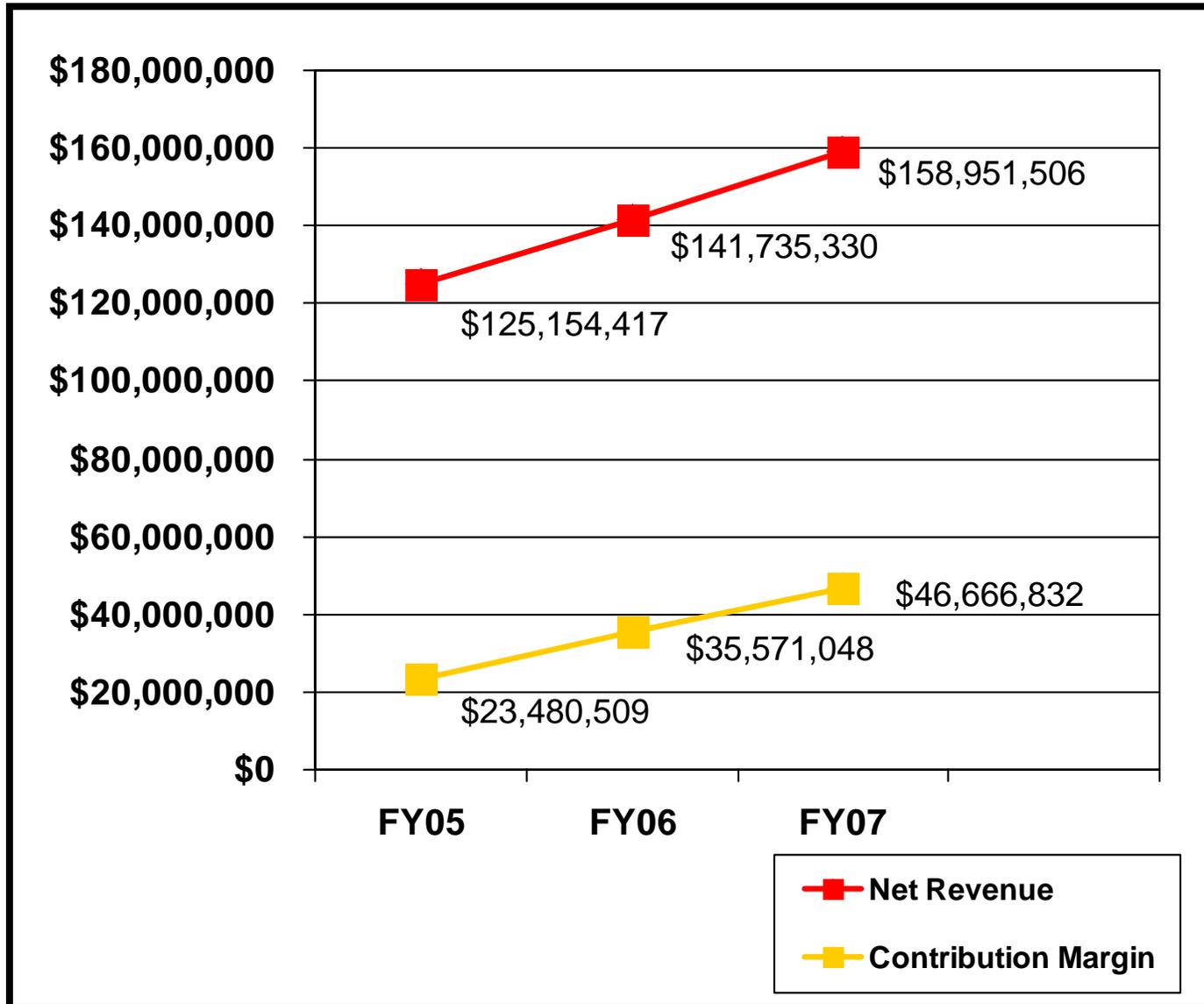
Pediatric Research



DEPARTMENT OF PEDIATRICS 2007		
NIH Funding	46	\$13,089,214
Other Funding	134	\$ 8,592,892
Total	180	\$21,682,106

- 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



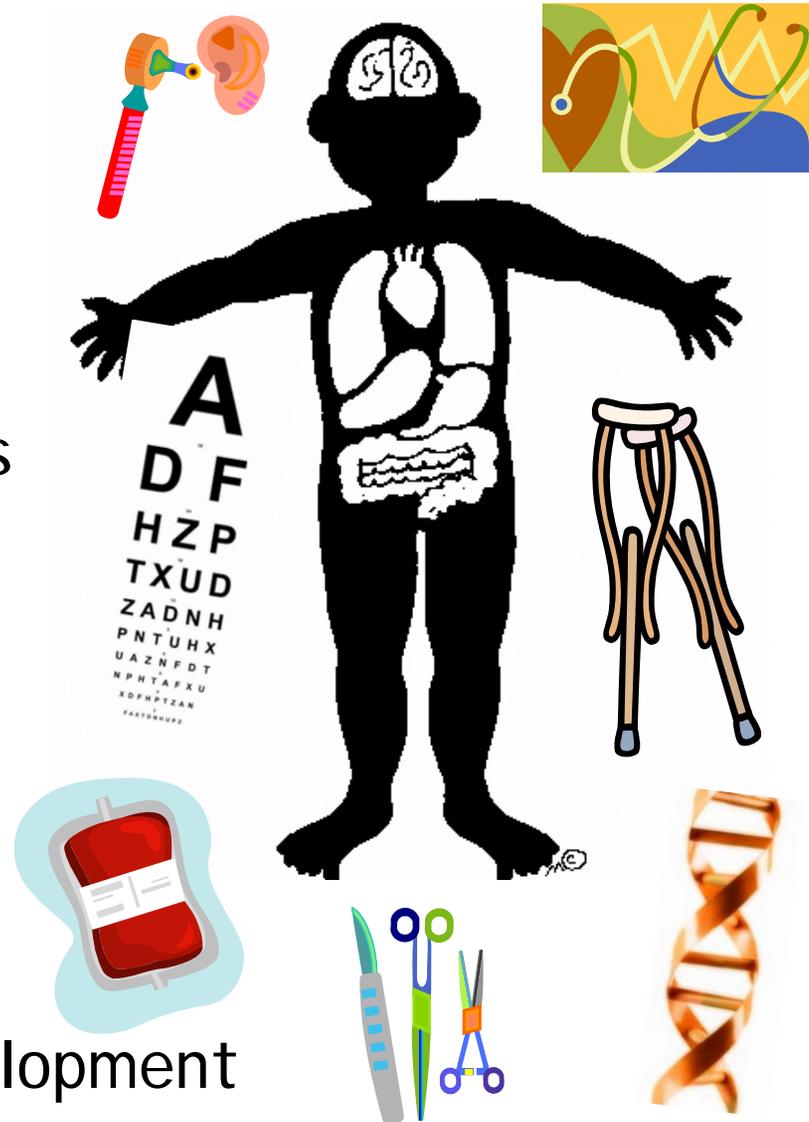
Program of Distinction – Neonatology

- 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

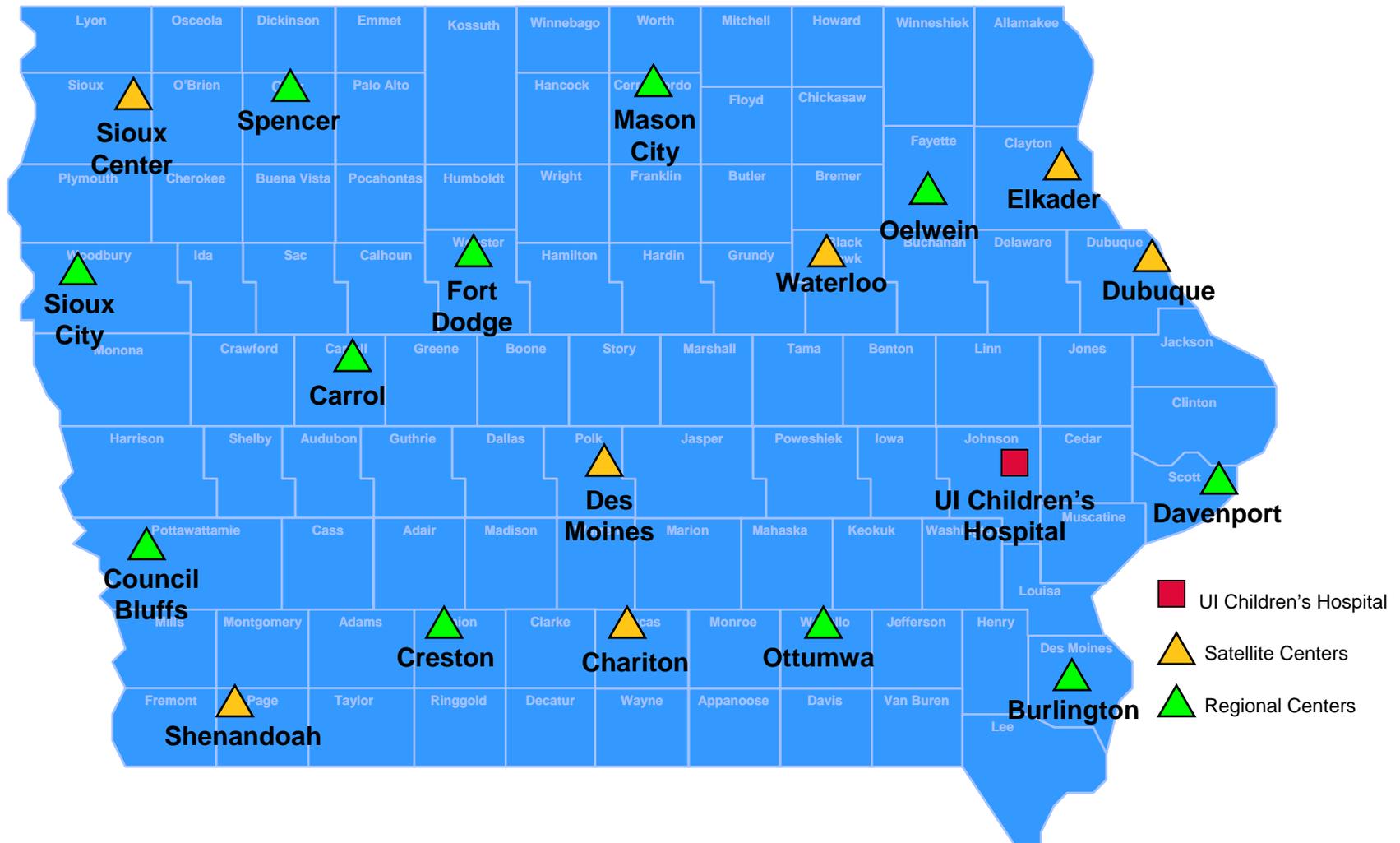


More Programs of Distinction

- Neonatology
- Cardiac Services
- Endocrinology & Diabetes
- Gastroenterology
- General Surgery
- Genetics & Metabolic Diseases
- Hematology-Oncology
- Neurosciences
- Ophthalmology
- Orthopedic Surgery
- Otolaryngology
- Urology
- Center for Disabilities & Development



Child Health Specialty Clinics

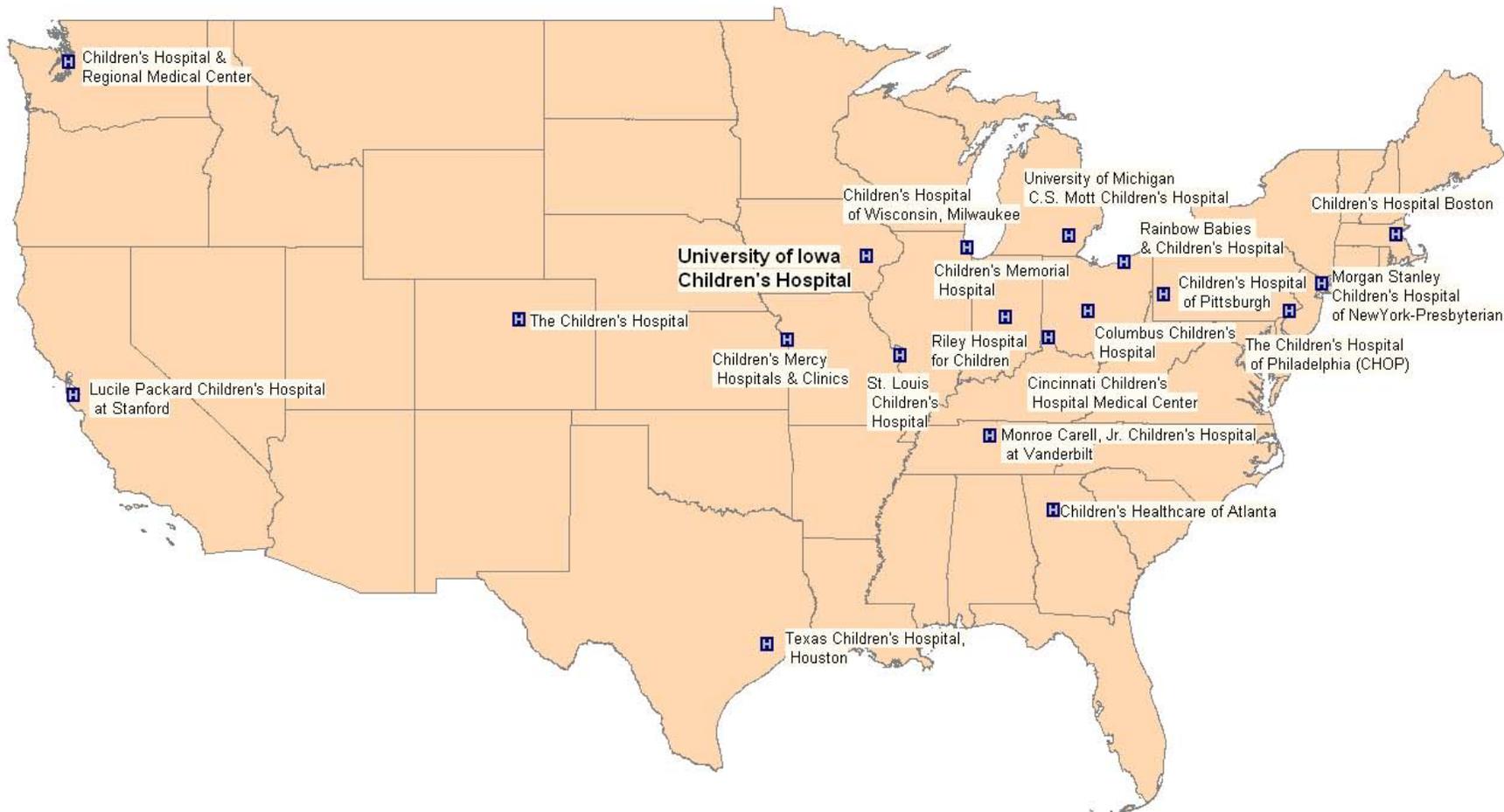


Iowa's Title V Program for Children with Special Health Care Needs in partnership with the Iowa Department of Public Health and The University of Iowa

2007 Accomplishment - Top 20 Ranking



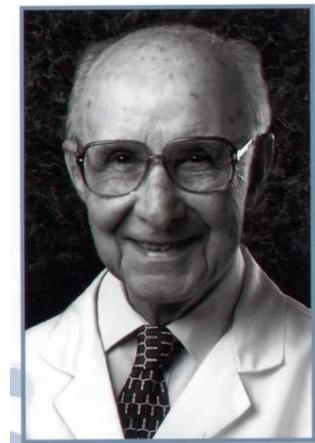
- Ranked #20 Nationally by *Child Magazine's* "Best Children's Hospitals"
 - Based on 250 question, outcomes-based survey
- Top 20 Hospitals: "The impressive company we keep"



Faculty Recognition



- 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

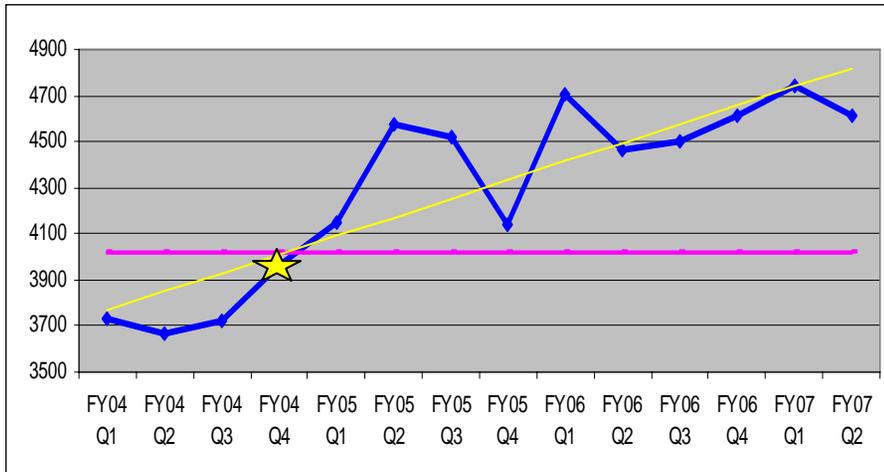


- Other Philanthropic Efforts

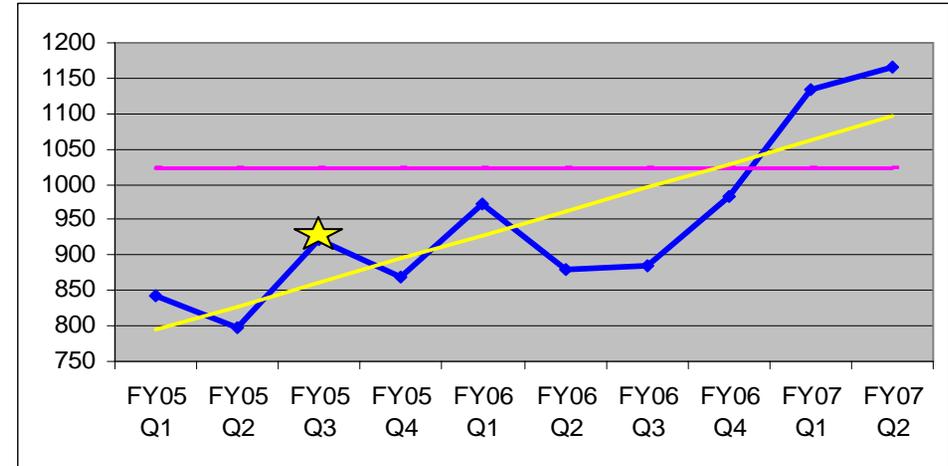
- 4 Endowed Chairs in the past year
- Annual Kirk Ferentz fundraising luncheon
- Special Events

Growth - Intensive Care

NICU PATIENT DAYS



PICU PATIENT DAYS



- 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: NI CU 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

Just for Kids

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.

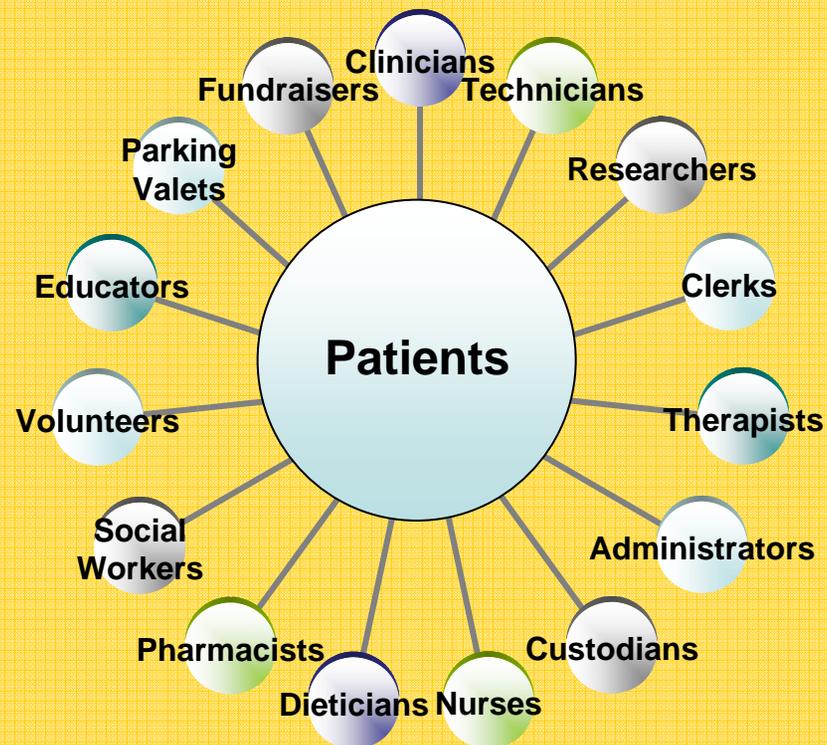
Vice President for Medical Affairs, Dean CCOM



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



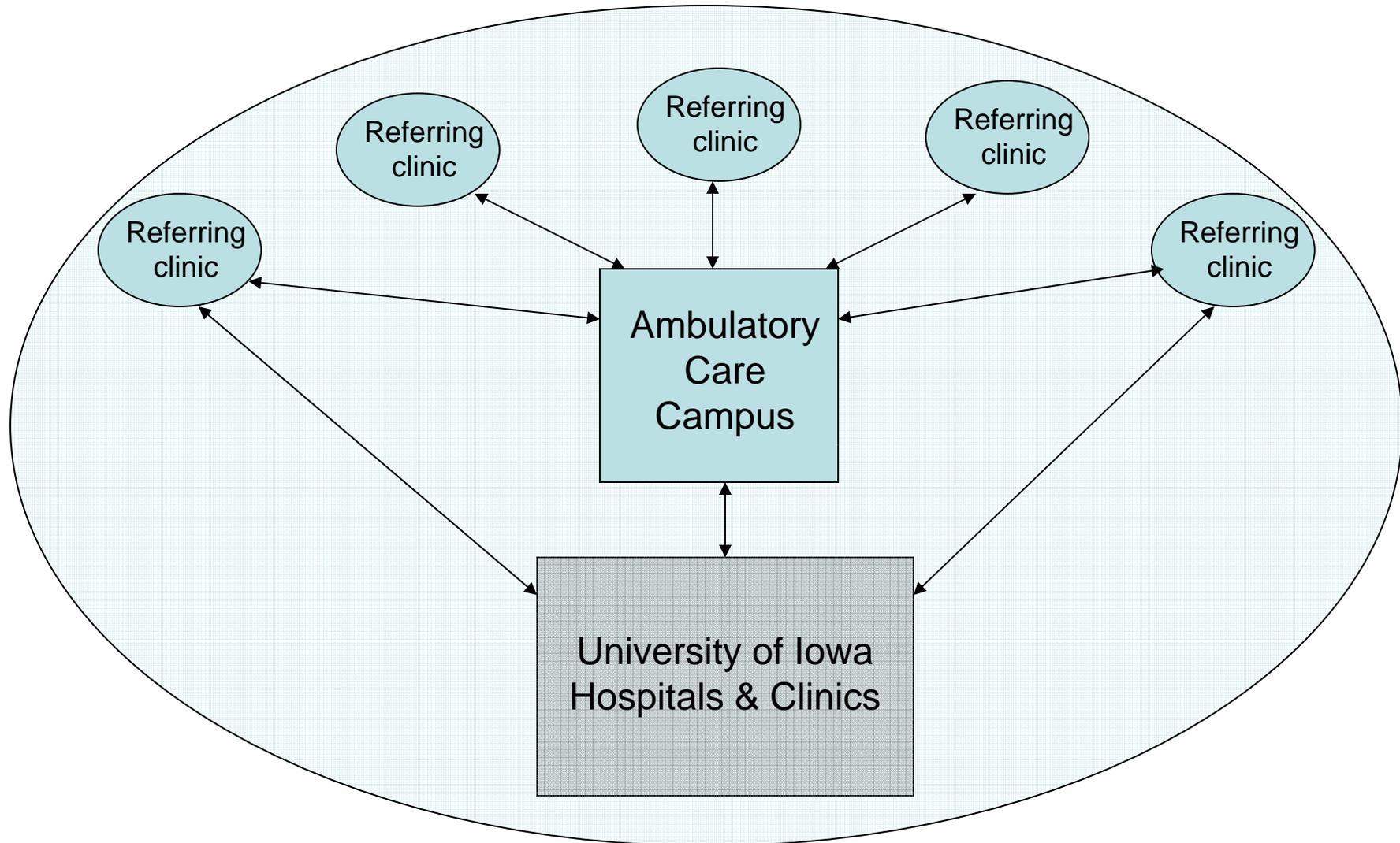
Priorities for Improving Ambulatory Care Access

- 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

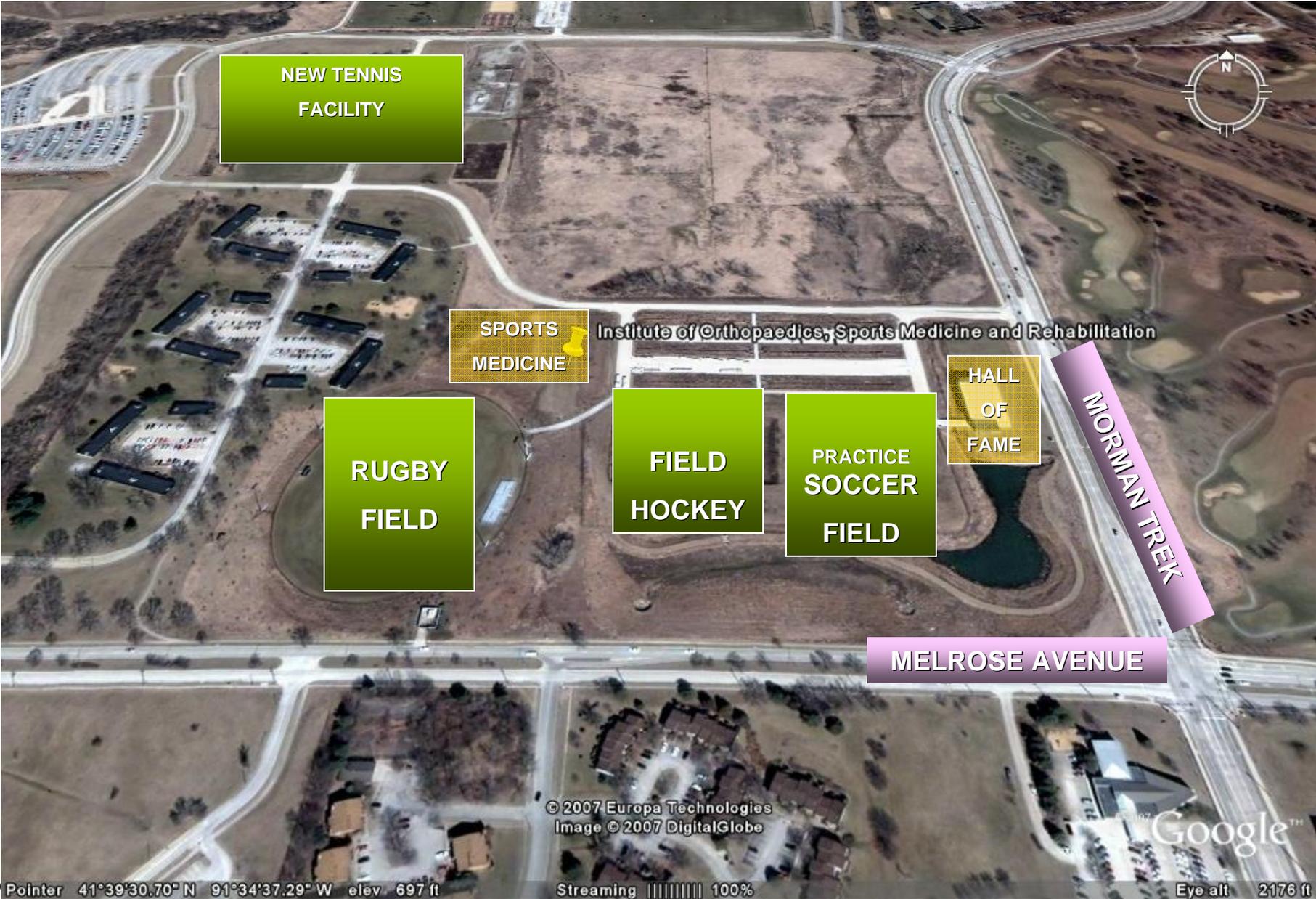
Project Description

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 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 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

	<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>
Exam Rooms									
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
Rehabilitation									
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
Radiology									
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
Outpatient Surgery									
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
Inpatient Cases									
Number of Cases	173	182	192	229	278	377	430	504	556
Staff (FTE)									
Clinicians									
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 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

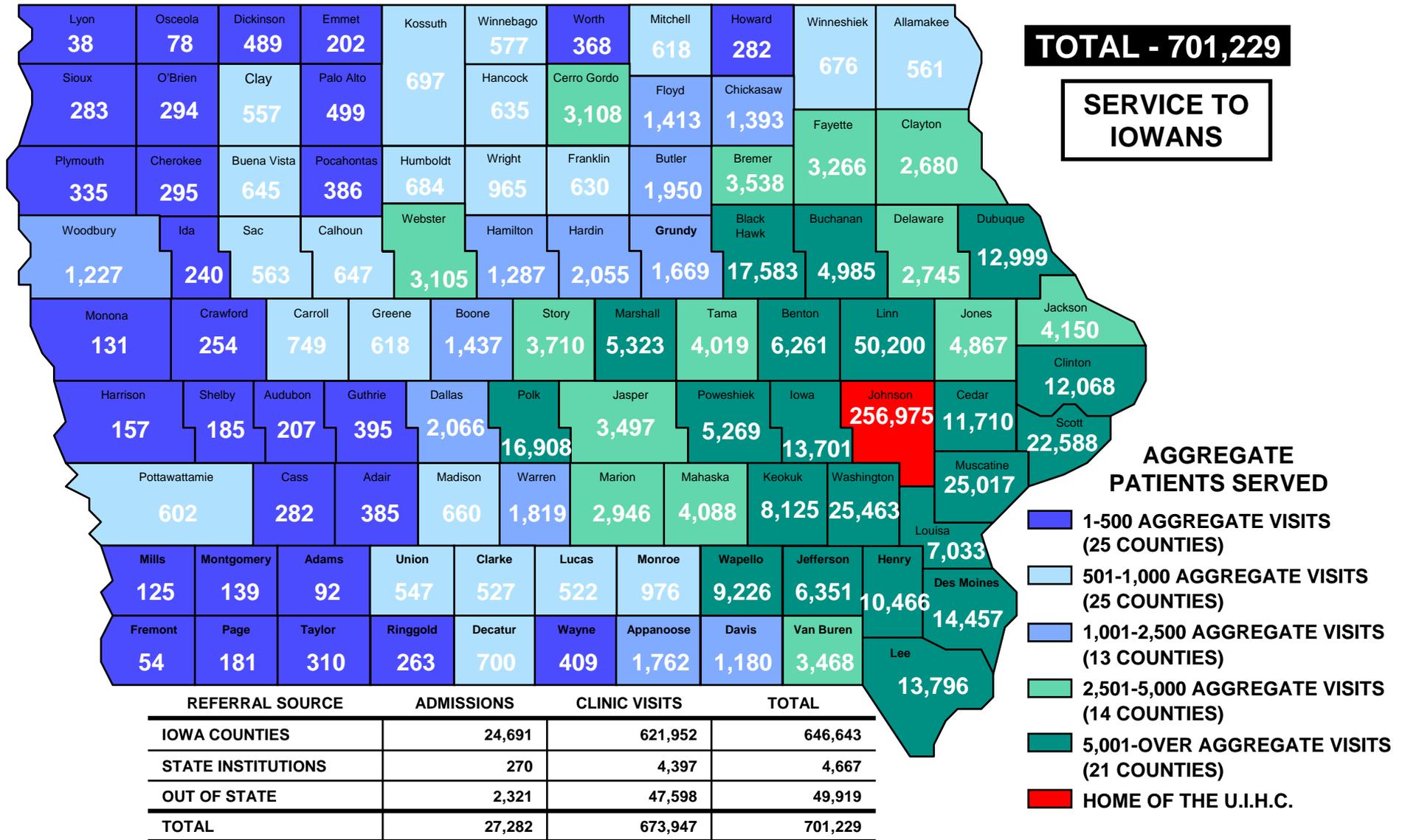
- **Mission**

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

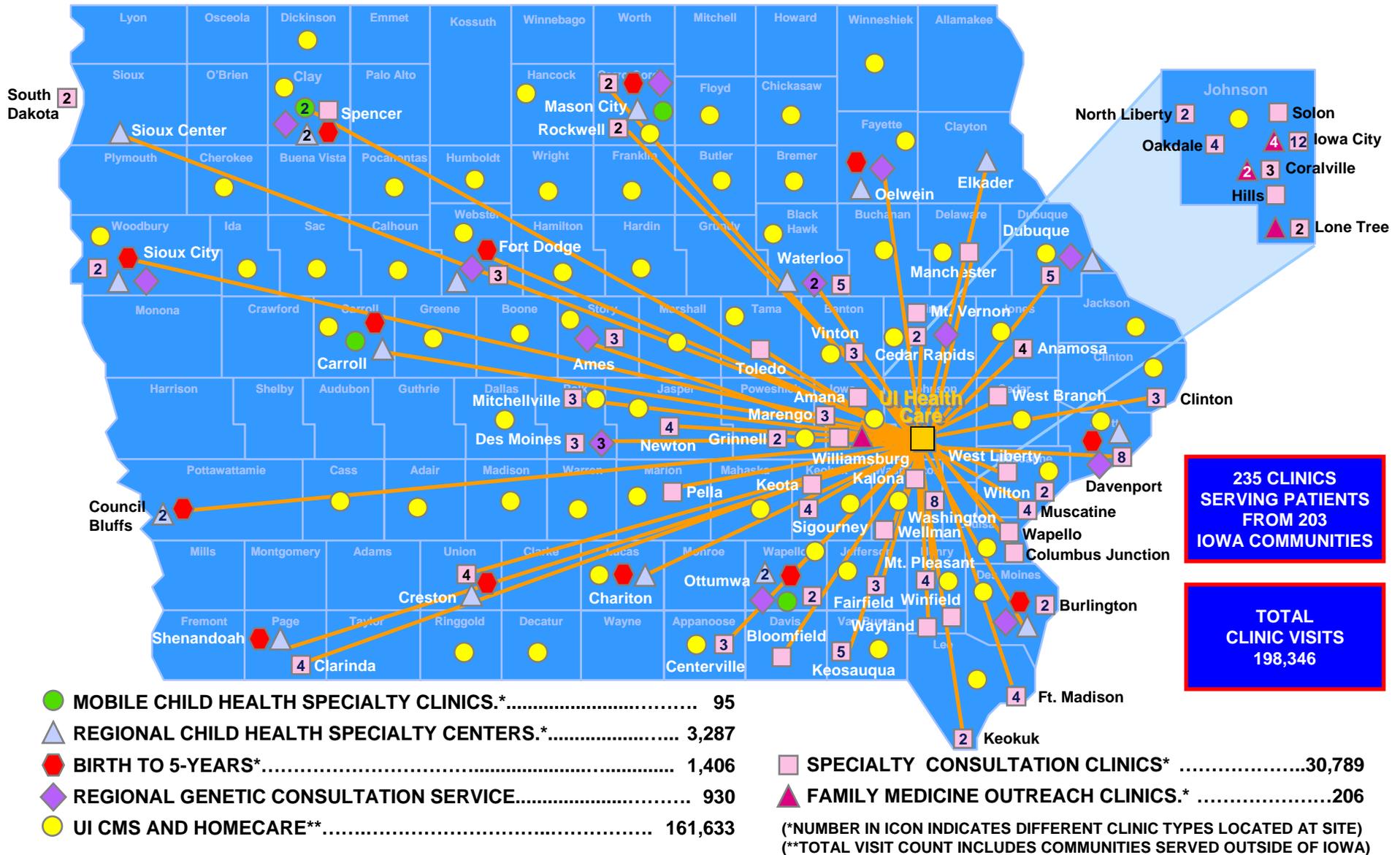
- **Imperatives**

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

Aggregate Patients Served by County 2005-2006



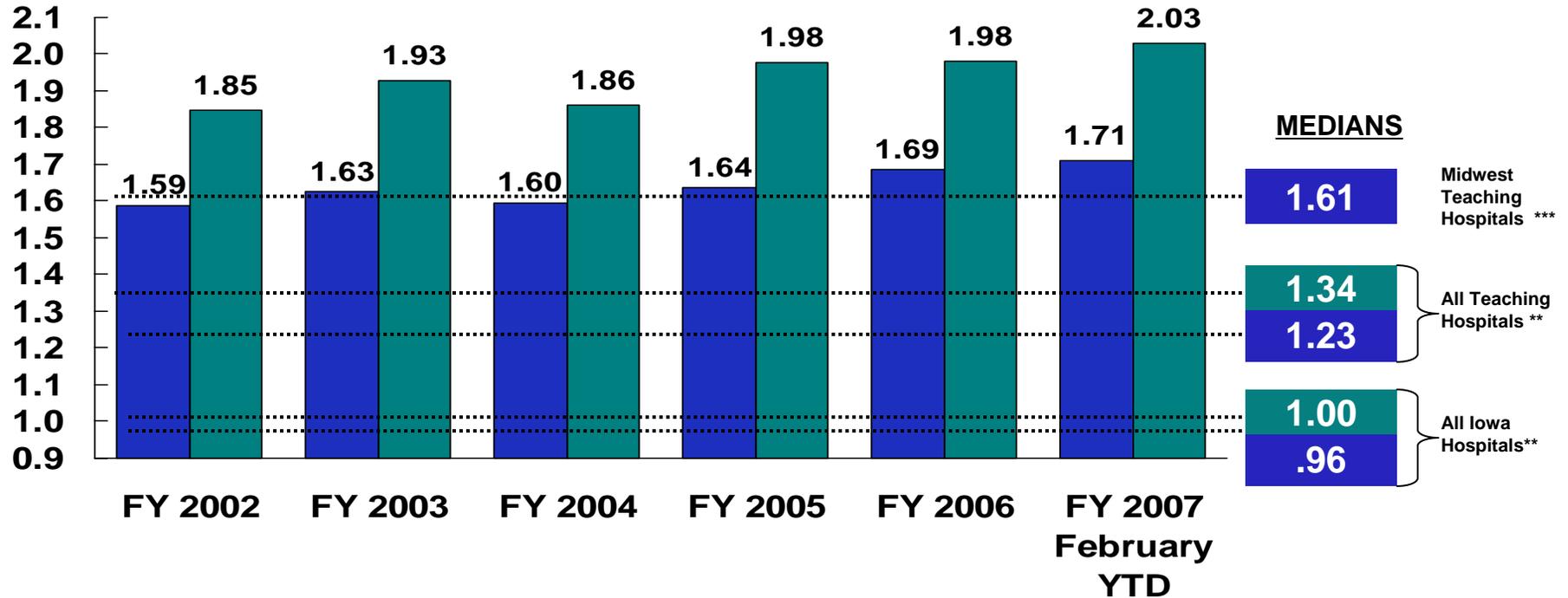
Off Site Clinics Providing Patient Care to Iowa Communities 2005-2006



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

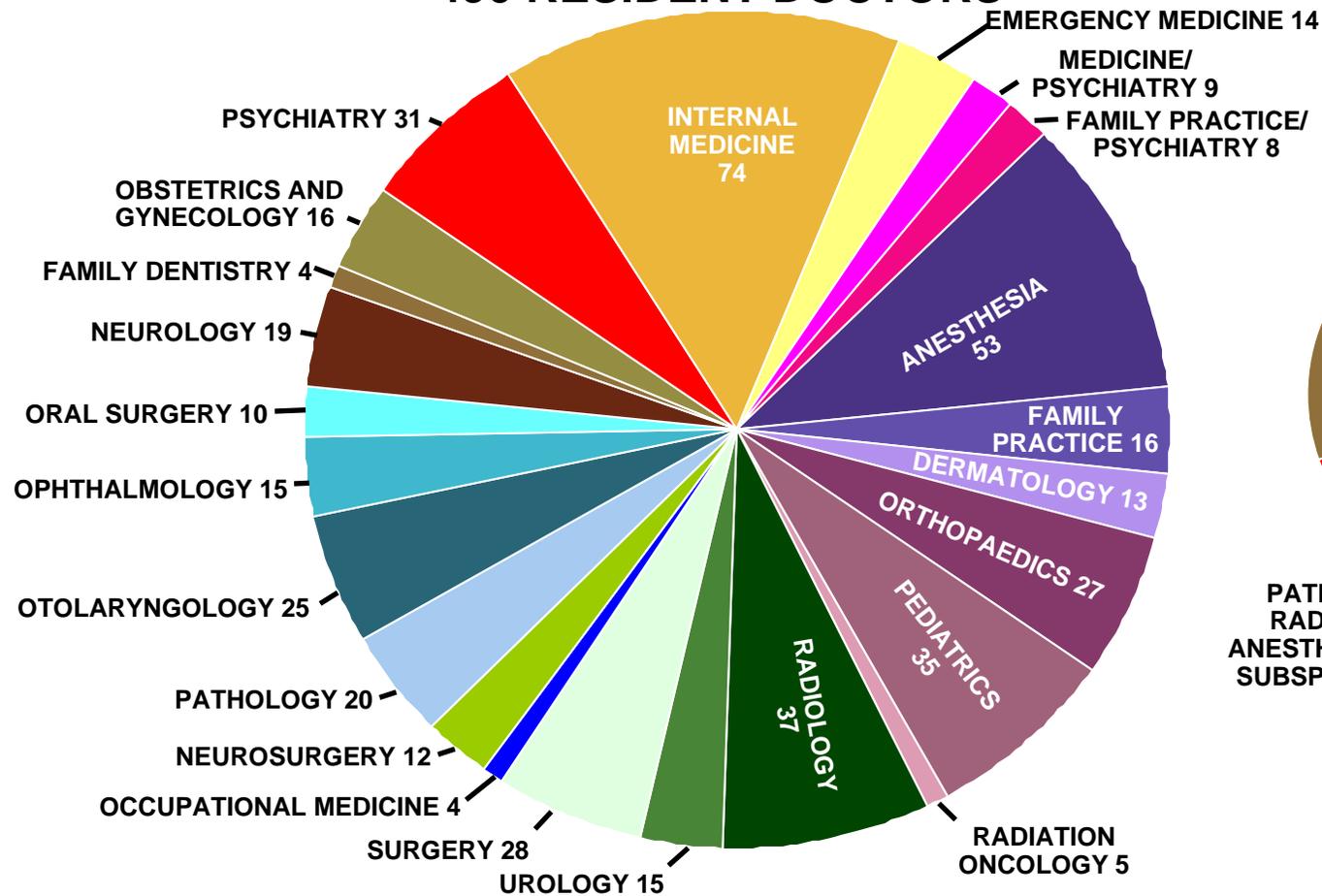
** MEDICARE CMI - ALMANAC OF HOSPITAL FINANCIAL OPERATING INDICATORS, 2006 CHIPS, 2005 DATA
 ALL ACUTE CMI - ALMANAC OF HOSPITAL FINANCIAL OPERATING INDICATORS, 2005 CHIPS, 2004 DATA
 A TEACHING HOSPITAL IS ONE AT WHICH MEDICAL GRADUATES TRAIN AS RESIDENTS.

***UNIVERSITY HEALTH SYSTEM CONSORTIUM CY2006.

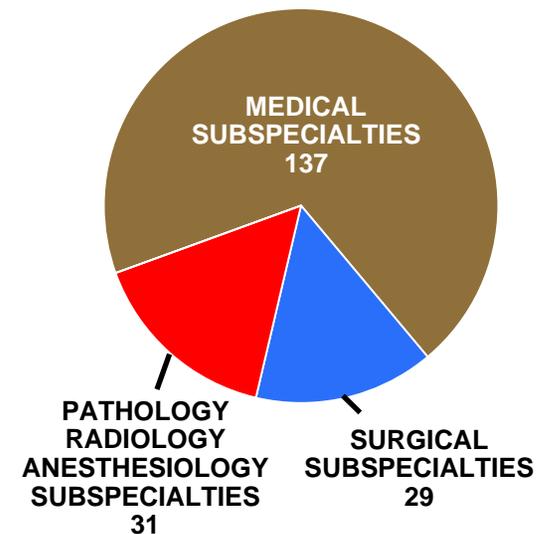
Residency & Fellowship Trainees by Specialty 2005-2006

687 RESIDENT AND FELLOW DOCTORS IN TRAINING

490 RESIDENT DOCTORS



197 FELLOW DOCTORS



HEALTH SCIENCE STUDENTS TRAINING WITHIN UNIVERSITY OF IOWA HOSPITALS AND CLINICS FY 2005 - 2006

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



47 Programs
2,395
Students

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

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

	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, P&S staff) 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.

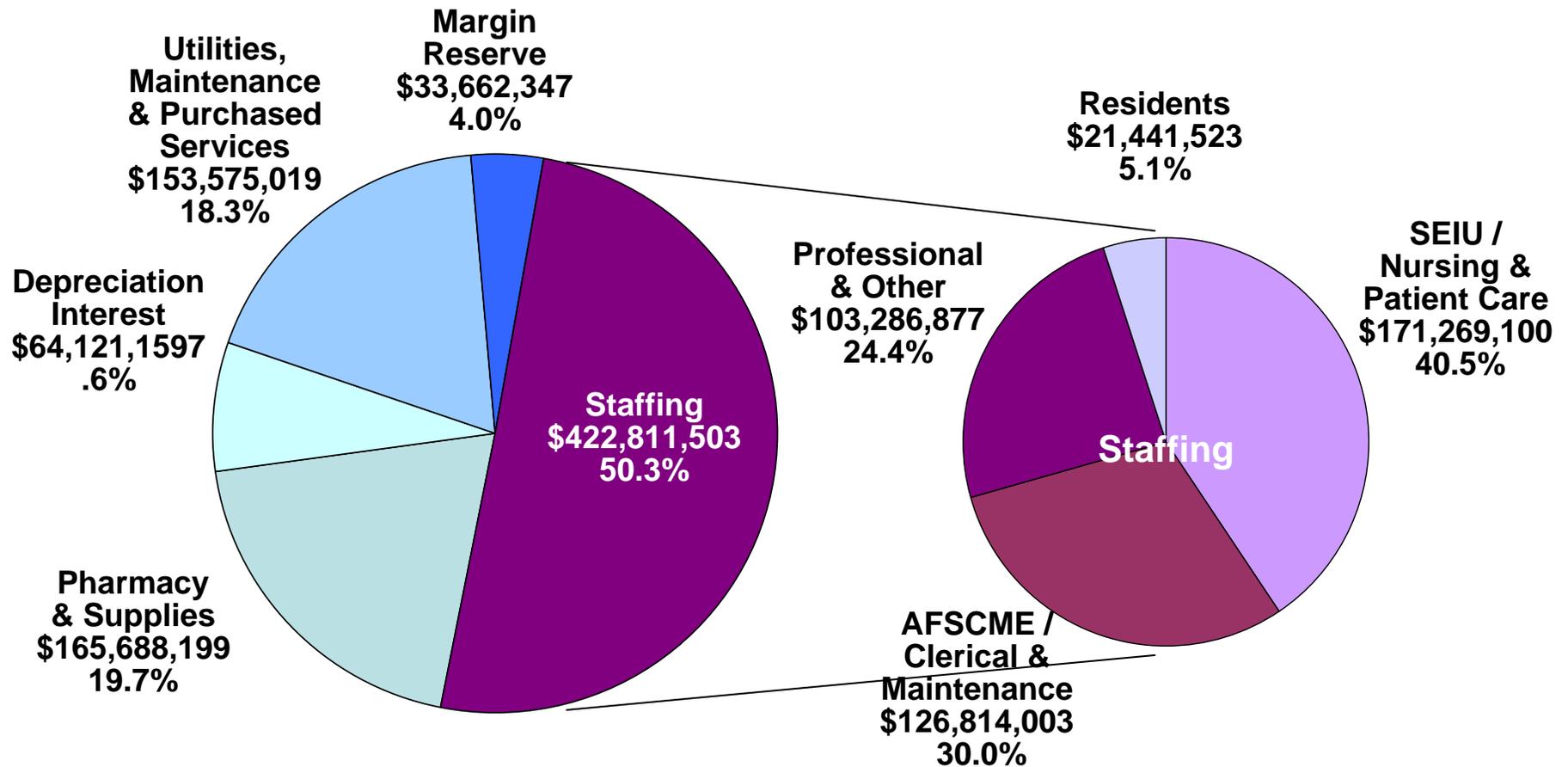
*** Case mix index is a national (Medicare) measure of inpatient severity, where the average case intensity is 1.0

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%
Total Net Revenue	\$ 839,858	\$ 805,199	\$ 740,329	\$ 34,660	4.3%
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%
Total Operating Expenses	742,075	699,954	658,044	42,121	6.0%
EBDITA	\$ 97,784	\$ 105,244	\$ 82,285	\$ (7,461)	-7.1%
EBDITA %	11.6%	13.1%	11.1%		
Total Depreciation & Amortization	\$ 64,121	\$ 58,583	\$ 54,979	\$ 5,538	9.5%
Operating Income	\$ 33,662	\$ 46,661	\$ 27,306	\$ (12,999)	-27.9%
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%
Net Income (Loss)	\$ 54,286	\$ 68,799	\$ 48,342	\$ (14,513)	-21.1%
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

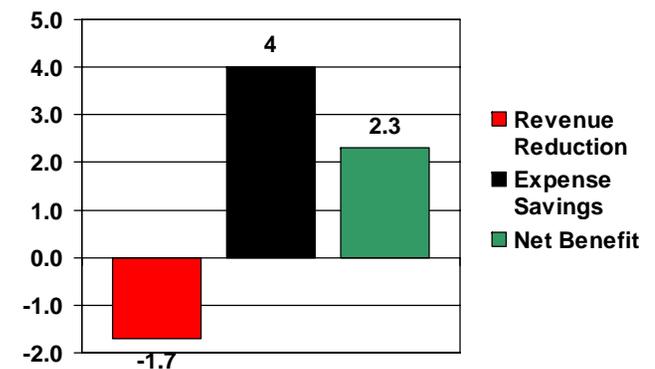
	Cost Due to Inflation	Cost Due to Volume Increases	Inflation & Volume
Salaries & Wages- SEIU, AFSCME and other	\$16.3	\$6.3	\$22.6
Benefits	9.3	2.3	11.6
Supplies – 4% inflation	3.7	2.0	5.7
Drugs – 7% inflation	4.4	1.3	5.7
Utilities – 9% inflation	1.9		1.9
Depreciation Expense	5.5		5.5
Other Operating Expense – 2.5-4.0% inflation	7.3	1.3	8.6
Total Expense Growth	\$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
Salaries & Wages- SEIU, AFSCME and other	\$16.3	\$6.3	\$(9.3)	\$13.3M
Benefits	9.3	2.3	(3.4)	8.2M
Supplies – 4% inflation	3.7	2.0	(1.0)	4.7M
Drugs – 7% inflation	4.4	1.3		5.7M
Utilities – 9% inflation	1.9			1.9M
Depreciation Expense	5.5			5.5M
Other Operating Expense – 2.5-4.0% inflation	7.3	1.3	(0.2)	8.4M
Total Expense Growth	\$48.4	\$13.2	\$(13.9)	\$47.7M

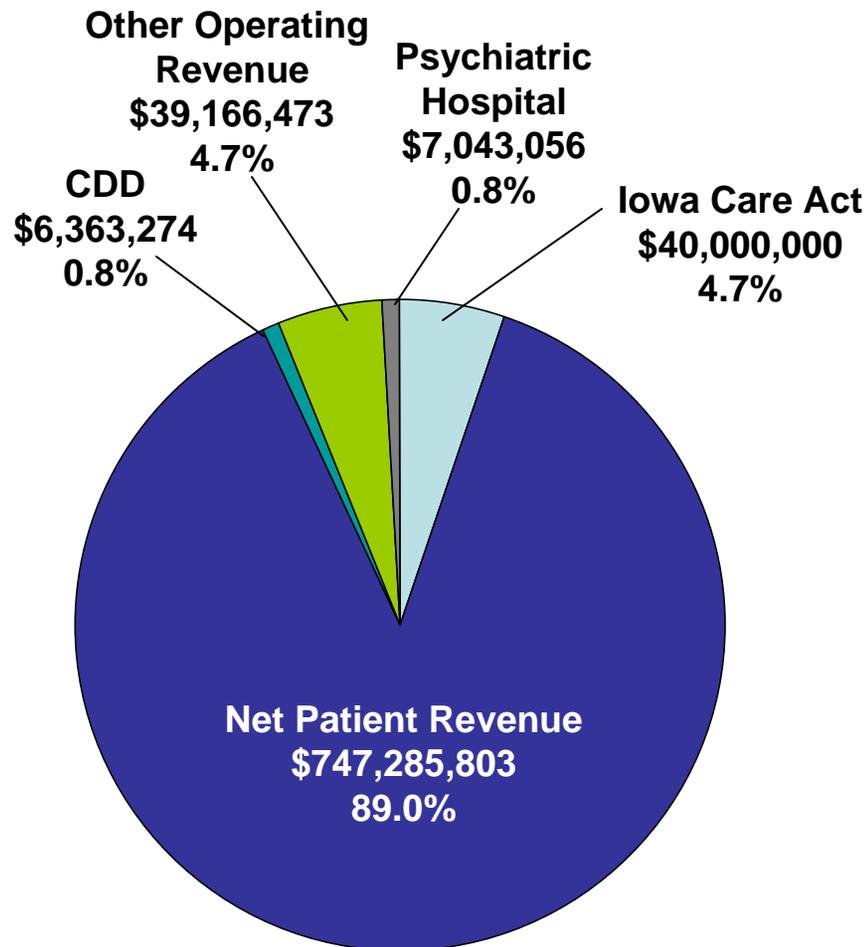
Who pays for healthcare in Iowa?

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

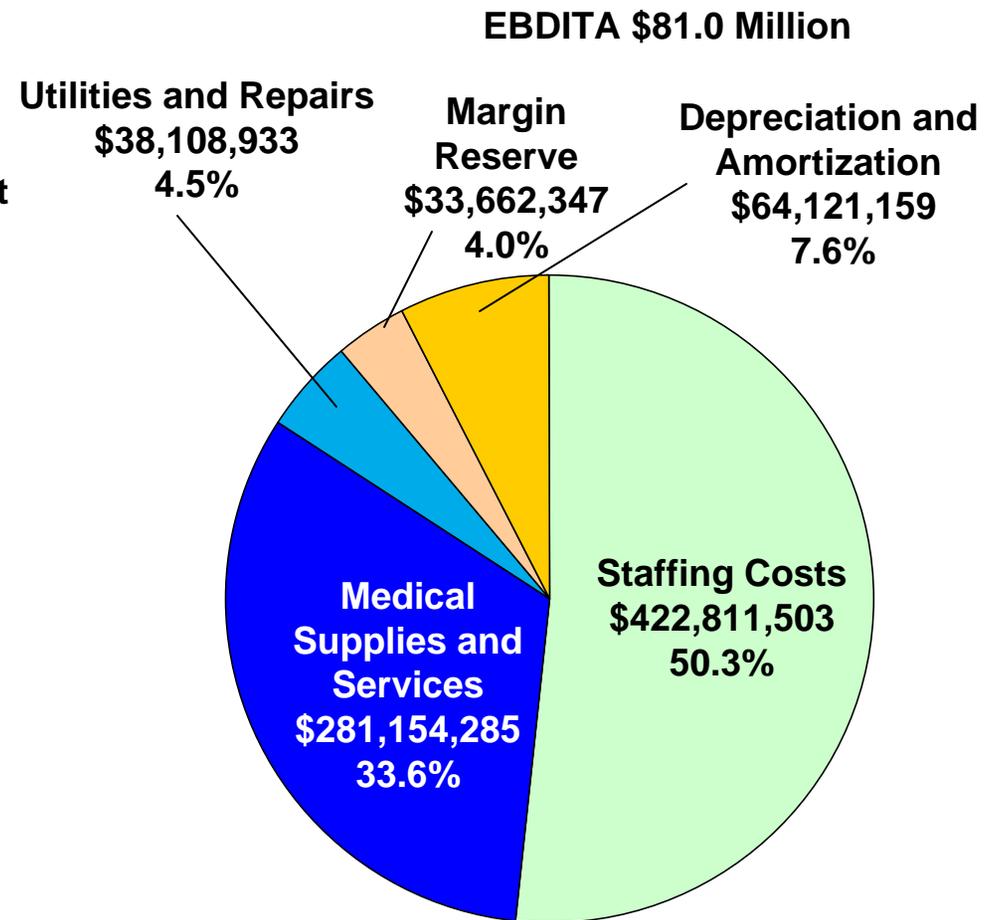
Summary FY2008 Rate and Volume Revenue Impact Increases Over FY 2007 Projected

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

Combined Hospitals Sources and Uses FY08 Proposed Budget



FY08 TOTAL = \$839,858,227

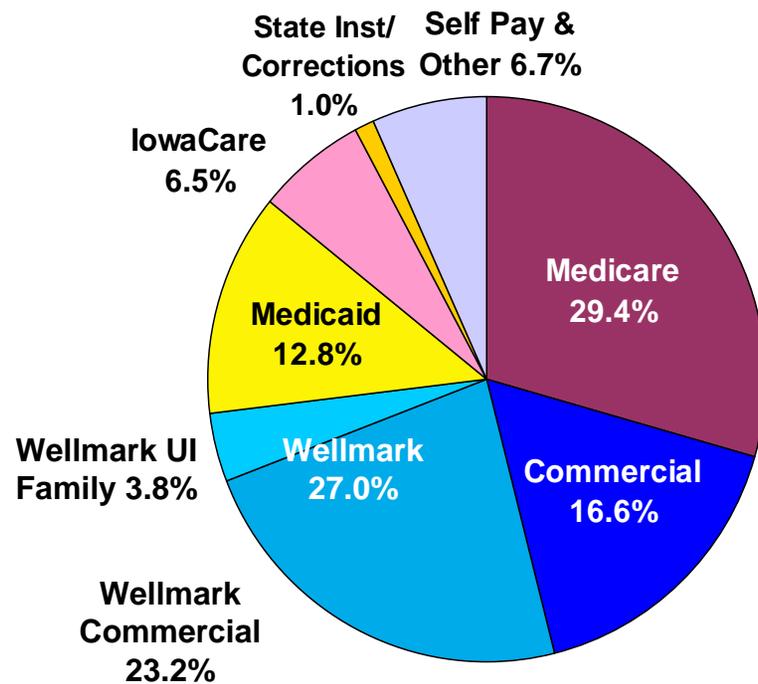


FY08 TOTAL = \$839,858,227

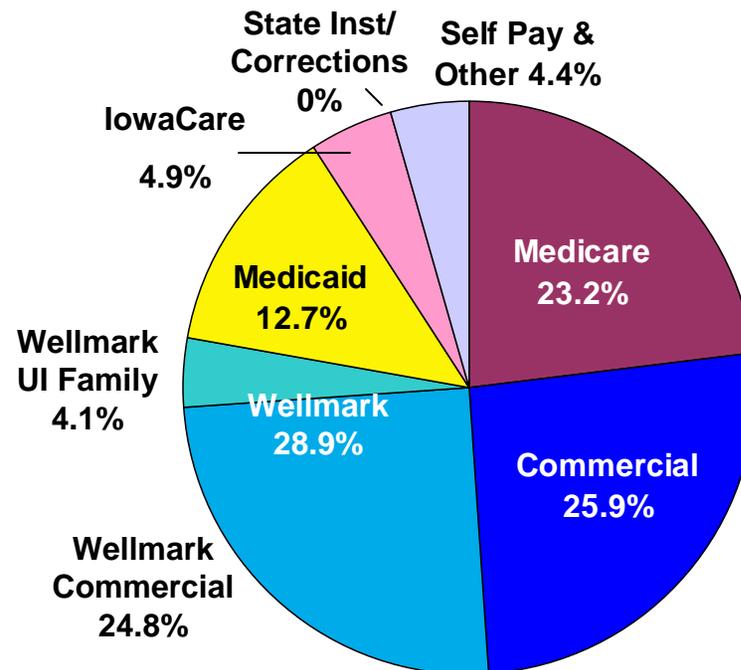
Other Operating Revenue FY 2008 Budget

Gifts & Grants	\$ 8.5M
Food Sales	8.4M
External Drug Sales	0.6M
Other External Sales	3.2M
Purchased Services – Related Party	18.5M
Total	\$39.2 M

Gross Patient Charges By Primary Payor

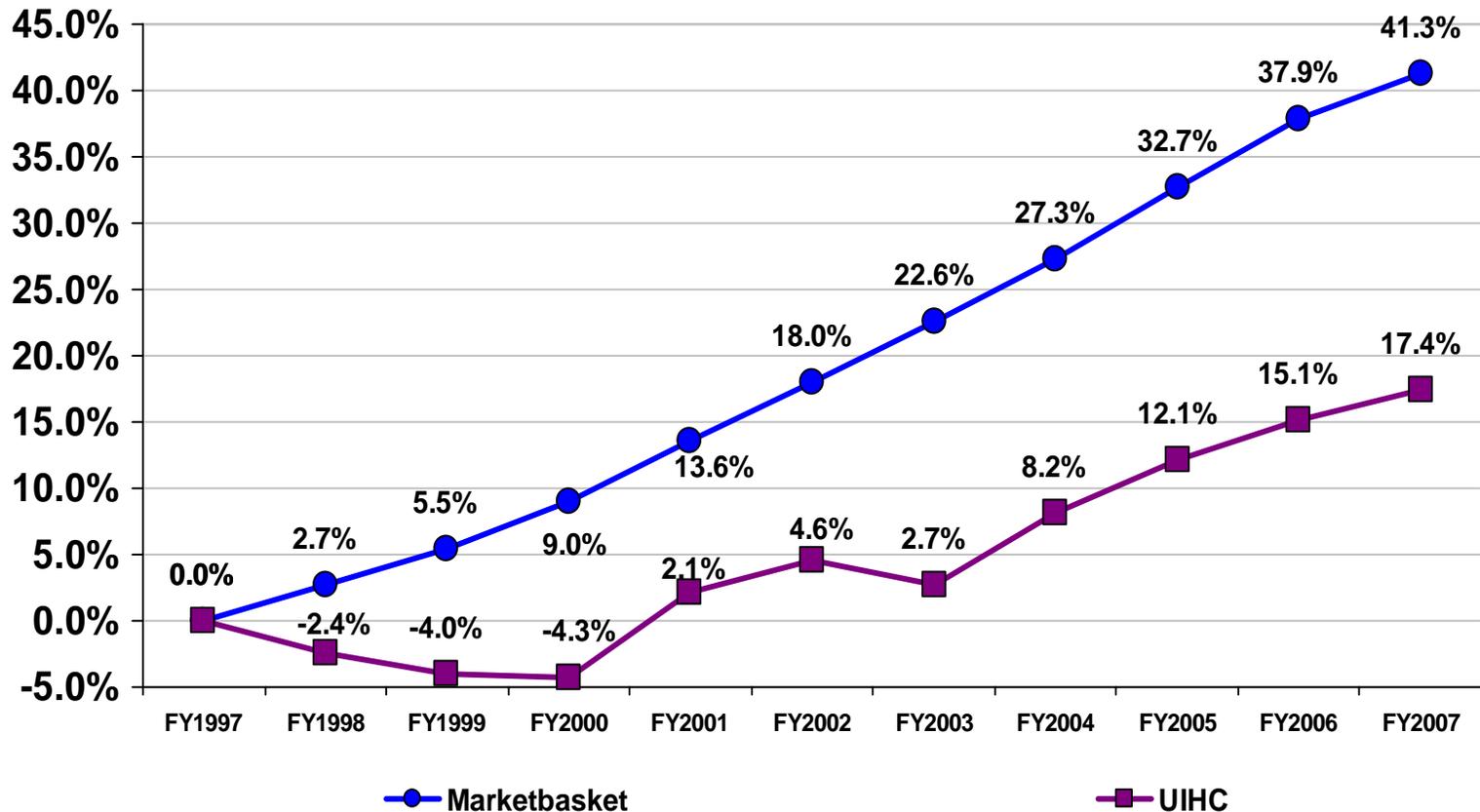


Reimbursement By Primary Payor



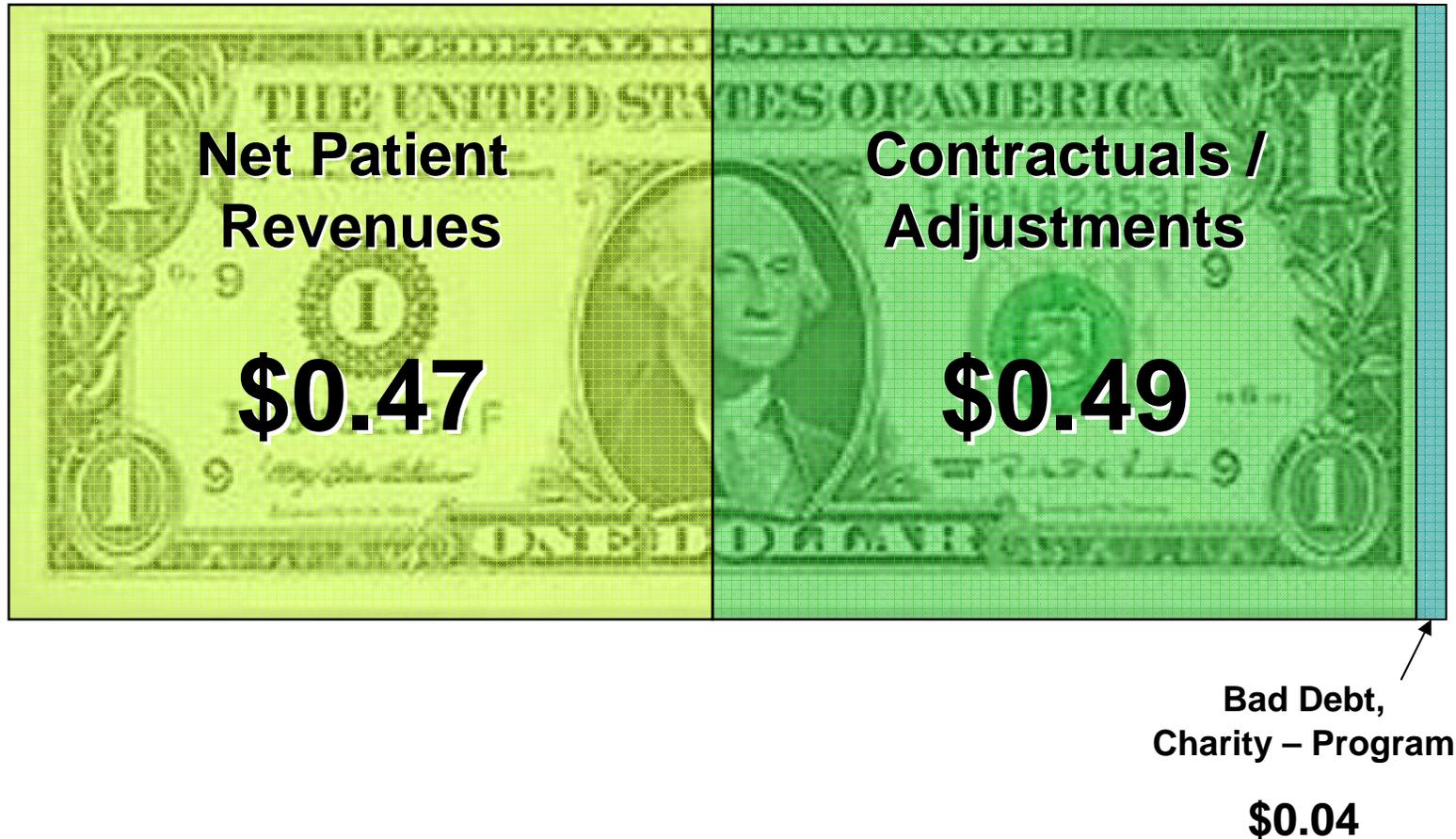
Year to Date February, 2007
Includes Inpatient and Outpatient Services

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

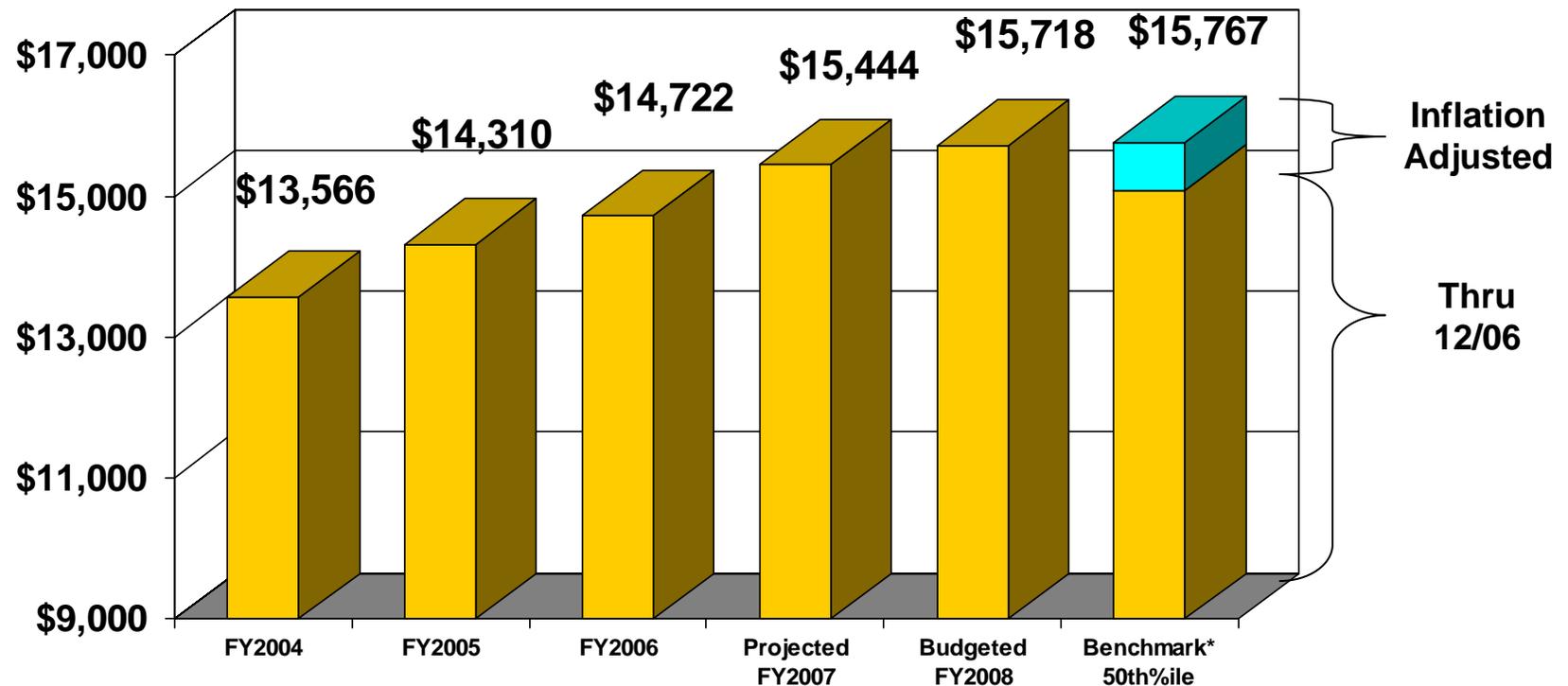


CMS Published Rule and Iowa Hospital Association Impact Analysis

Relationship of \$1 in Charges to Net Revenue



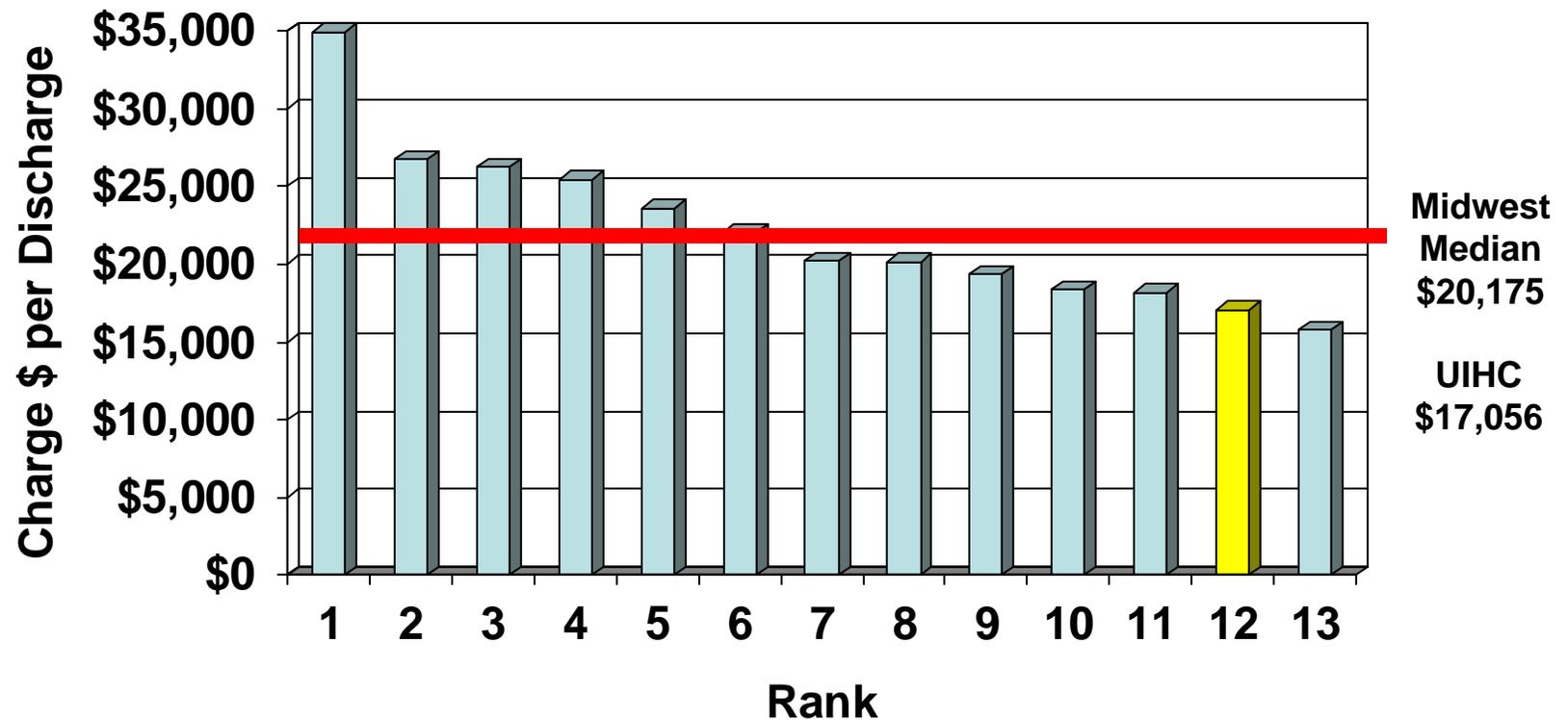
Net Patient Revenue** per Adjusted Admission



* Benchmark is the 50th percentile of the University Health System Consortium for the two quarters ended December 2006 of \$15,082 plus an estimated 3% annual increase.

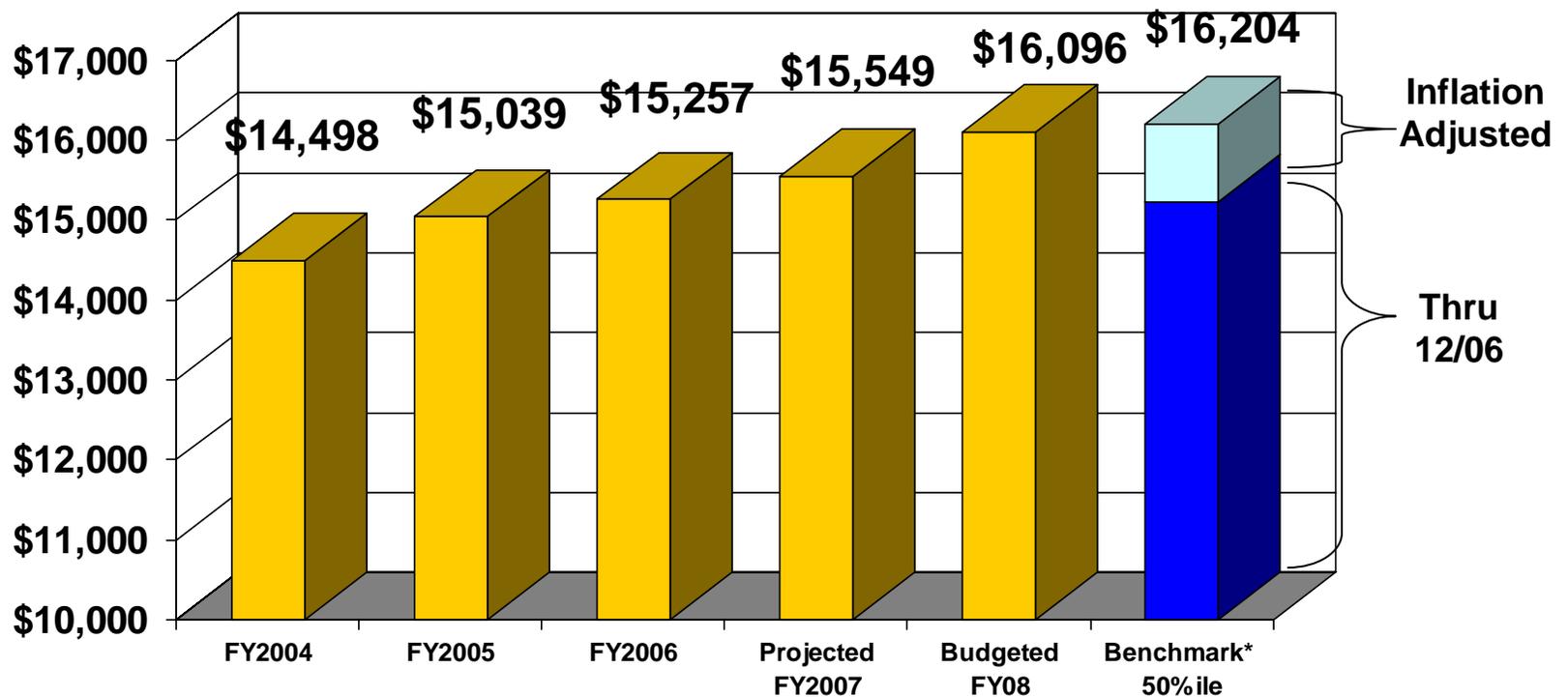
** Net paying patient revenue includes Chapter 255 state indigent patient care program appropriation or Iowa Care Act receipts.

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

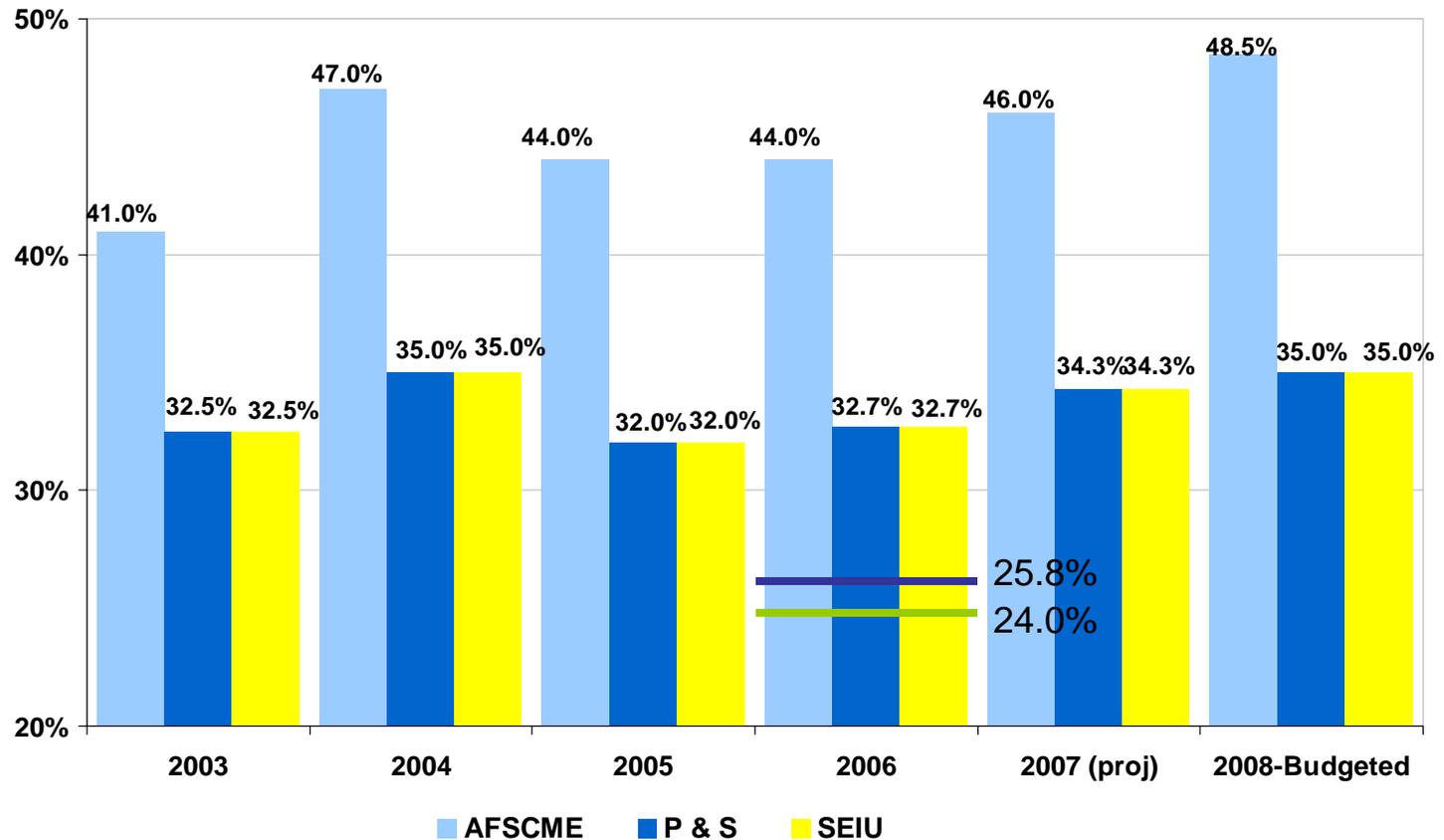


* Benchmark is the 50th percentile of the University Health System Consortium for the two quarters ended December 2006 of \$15,231 plus 2007 Midwest Medical Care CPI of 4.2% annually.

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

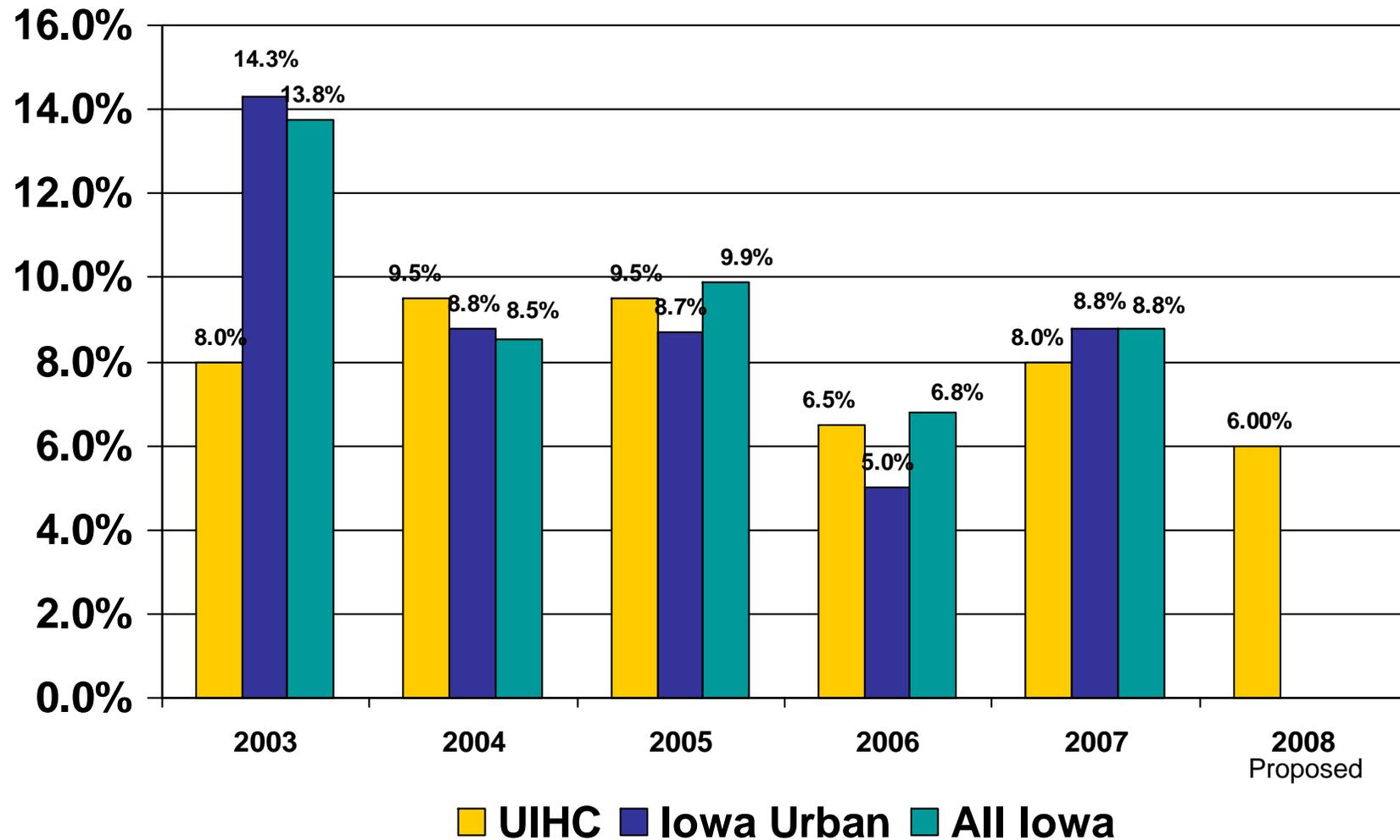
Aggregate Fringe Benefit Costs as a Percent of Salary Dollar



— 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 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 30th, 2007

