



University of Iowa Health Care

***Presentation to
The Board of Regents, State of Iowa
April 23-24, 2014***

Agenda

- Opening Remarks (Robillard)
- Operating and Financial Performance (Kates, Fisher)
- FY15 Operating Budget (Kates, Fisher)



Opening Remarks

Jean Robillard, MD
Vice President for Medical Affairs



Operating and Financial Performance Update

Ken Kates, Chief Executive Officer
UI Hospitals & Clinics

Ken Fisher, Associate Vice President for Finance
and Chief Financial Officer

Volume Indicators

Fiscal Year to Date March 2014



Operating Review (YTD)	Actual	Budget	Prior Year *	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Discharges	23,065	23,598	22,869	(533)	-2.3% ○	196	0.9% ○
Patient Days	147,003	145,833	144,543	1,170	0.8% ○	2,460	1.7% ○
Length of Stay	6.35	6.20	6.33	0.15	2.5% ●	0.02	0.3% ○
Average Daily Census	536.51	532.24	527.53	4.27	0.8% ○	8.98	1.7% ○
Total Surgeries	21,627	21,879	21,205	(252)	-1.2% ○	422	2.0% ○
- Inpatient	8,590	8,768	8,488	(178)	-2.0% ○	102	1.2% ○
- Outpatient	13,037	13,111	12,717	(74)	-0.6% ○	320	2.5% ●
ED Visits	42,881	46,710	45,160	(3,829)	-8.2% ●	(2,279)	-5.0% ●
Total Clinic Visits	602,338	606,191	573,374	(3,853)	-0.6% ○	28,964	5.1% ●

* from ongoing operations

● Greater than 2.5% Favorable	○ Neutral	● Greater than 2.5% Unfavorable
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Discharges by Type

Fiscal Year to Date March 2014

Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Adult Medical	7,055	7,754	7,552	(699)	-9.0% ●	(497)	-6.6% ●
Adult Surgical	11,533	11,157	10,772	376	3.4% ●	761	7.1% ●
Adult Psych	1,068	1,092	1,067	(24)	-2.2% ○	1	0.1% ○
<i>Subtotal – Adult</i>	<i>19,656</i>	<i>20,003</i>	<i>19,391</i>	<i>(347)</i>	<i>-1.7% ○</i>	<i>265</i>	<i>1.4% ○</i>
Pediatric Medical & Surgical	2,393	2,526	2,437	(133)	-5.3% ●	(44)	-1.8% ○
Pediatric Critical Care	598	638	623	(40)	-6.3% ●	(25)	-4.0% ○
Pediatric Psych	418	431	418	(13)	-3.0% ●	0	0.0% ○
<i>Subtotal – Pediatrics w/o newborn</i>	<i>3,409</i>	<i>3,595</i>	<i>3,478</i>	<i>(186)</i>	<i>-5.2% ●</i>	<i>(69)</i>	<i>-2.0% ○</i>
Newborn	1,139	1,087	1,045	52	4.8% ●	94	9.0% ●
TOTAL w/o Newborn	23,065	23,598	22,869	(533)	-2.3% ○	196	0.9% ○

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

Discharge Days by Type

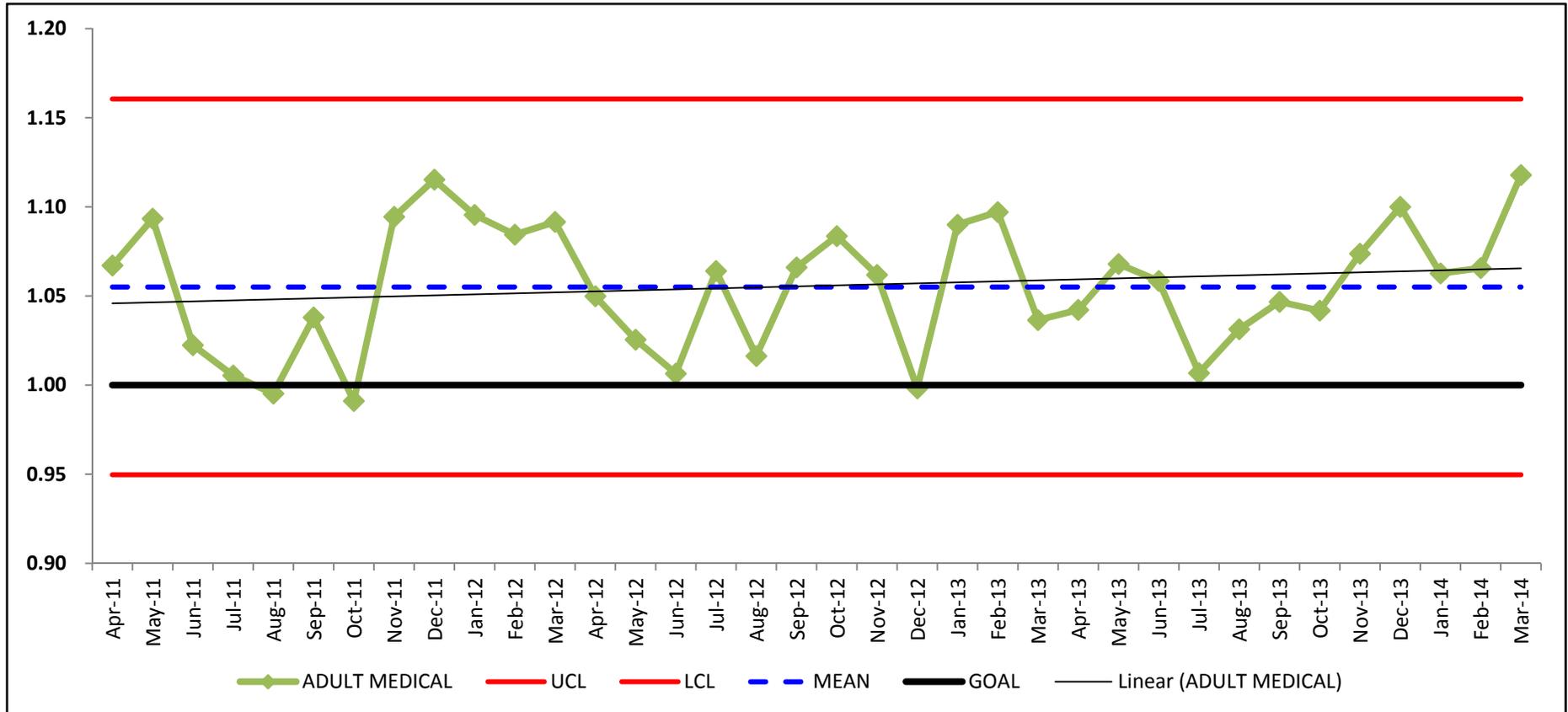
Fiscal Year to Date March 2014

Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Adult Medical	38,563	42,584	42,242	(4,021)	-9.4% ●	(3,679)	-8.7% ●
Adult Surgical	59,611	55,241	54,654	4,370	7.9% ●	4,957	9.1% ●
Adult Psych	15,316	15,259	15,125	57	0.4% ○	191	1.3% ○
<i>Subtotal – Adult</i>	<i>113,490</i>	<i>113,084</i>	<i>112,021</i>	<i>406</i>	<i>0.4% ○</i>	<i>1,469</i>	<i>1.3% ○</i>
Pediatric Medical & Surgical	13,133	13,106	12,992	27	0.2% ○	141	1.1% ○
Pediatric Critical Care	16,096	16,367	16,227	(271)	-1.7% ○	(131)	-0.8% ○
Pediatric Psych	3,812	3,640	3,633	172	4.7% ●	179	4.9% ●
<i>Subtotal – Pediatrics w/o newborn</i>	<i>33,041</i>	<i>33,113</i>	<i>32,852</i>	<i>(72)</i>	<i>-0.2% ○</i>	<i>189</i>	<i>0.6% ○</i>
Newborn	2,522	2,387	2,318	135	5.7% ●	204	8.8% ●
TOTAL w/o Newborn	146,531	146,197	144,873	334	0.2% ○	1,658	1.1% ○

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

Length of Stay Index – Adult Medical(*)

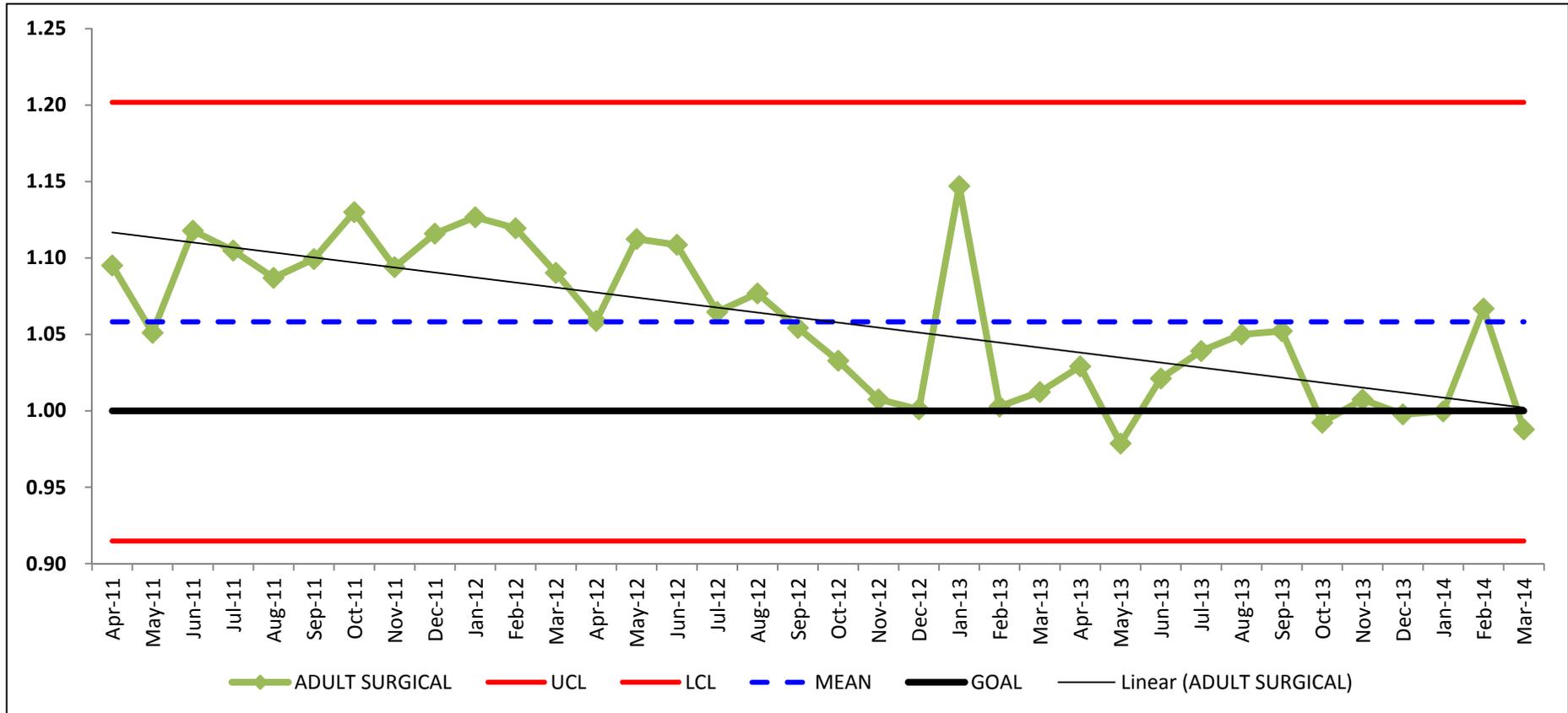
April 2011 through March 2014



(*) excludes outliers

Length of Stay Index – Adult Surgical(*)

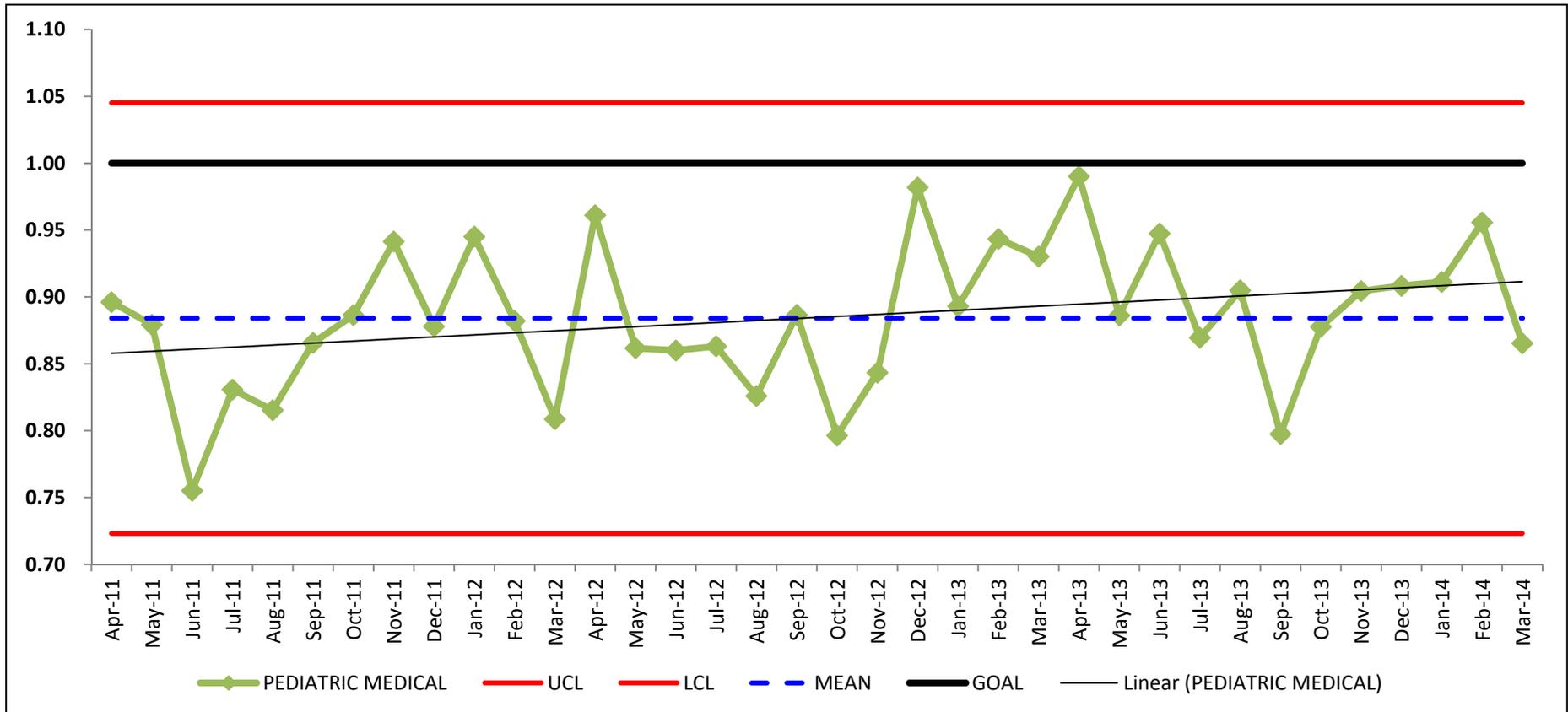
April 2011 through March 2014



(*) excludes outliers

Length of Stay Index – Pediatric Medical(*)

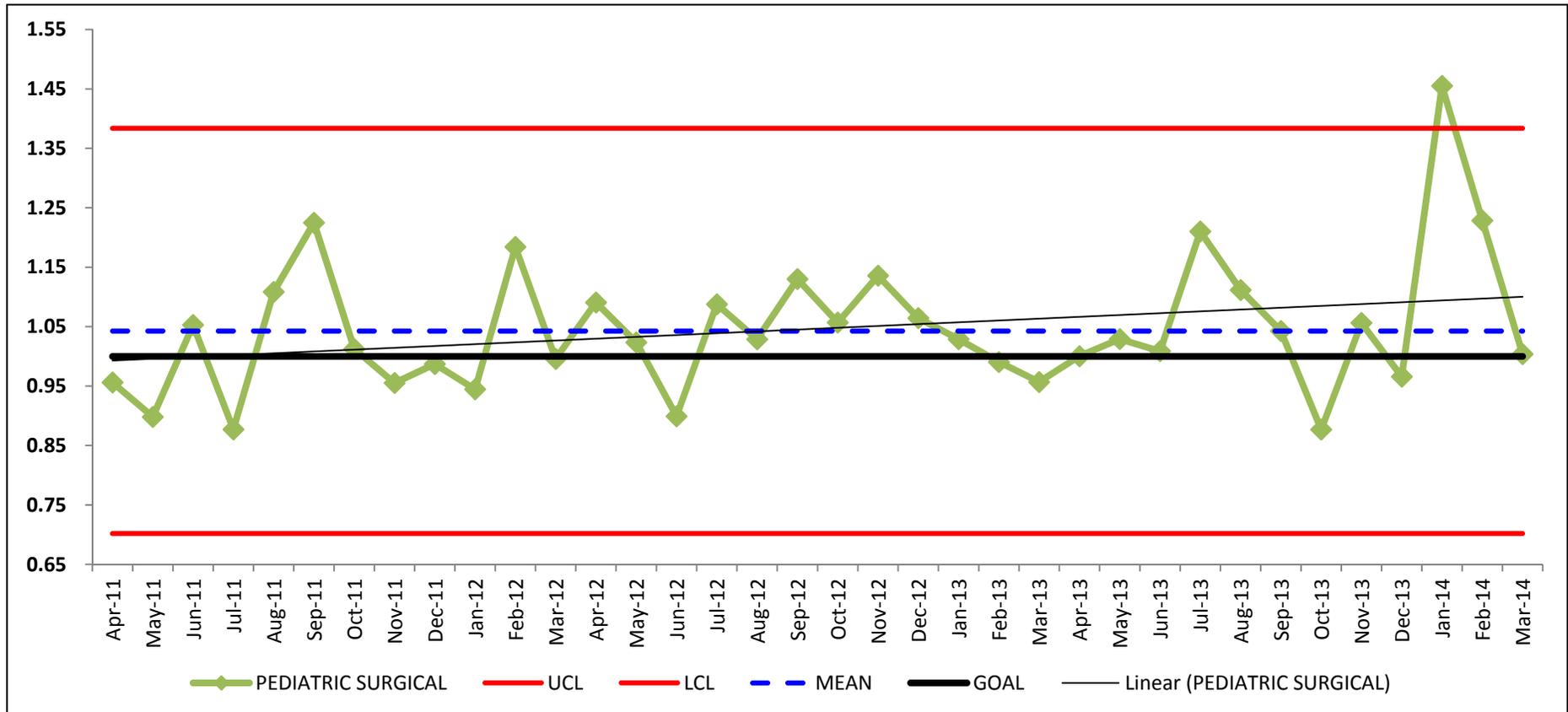
April 2011 through March 2014



(*) excludes outliers

Length of Stay Index – Pediatric Surgical^(*)

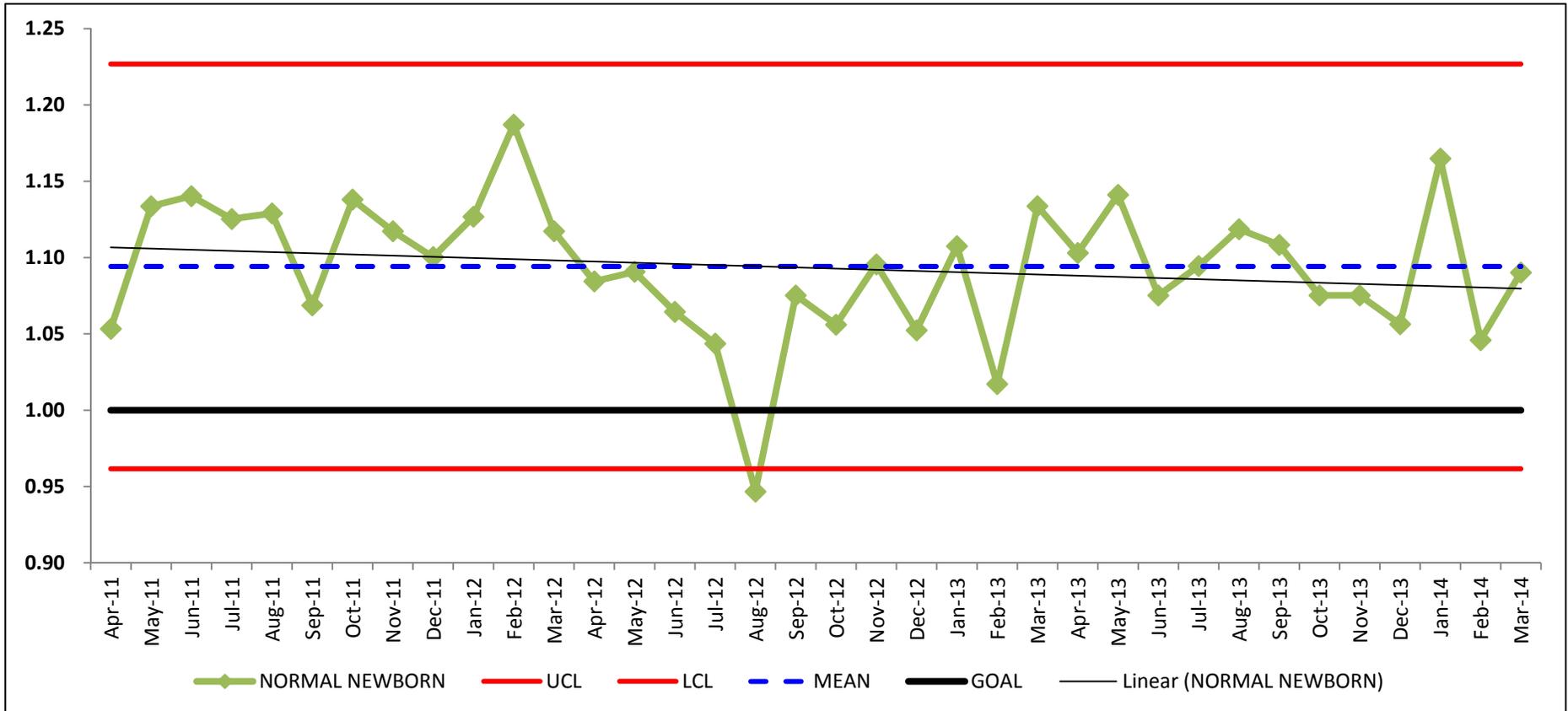
April 2011 through March 2014



(*) excludes outliers

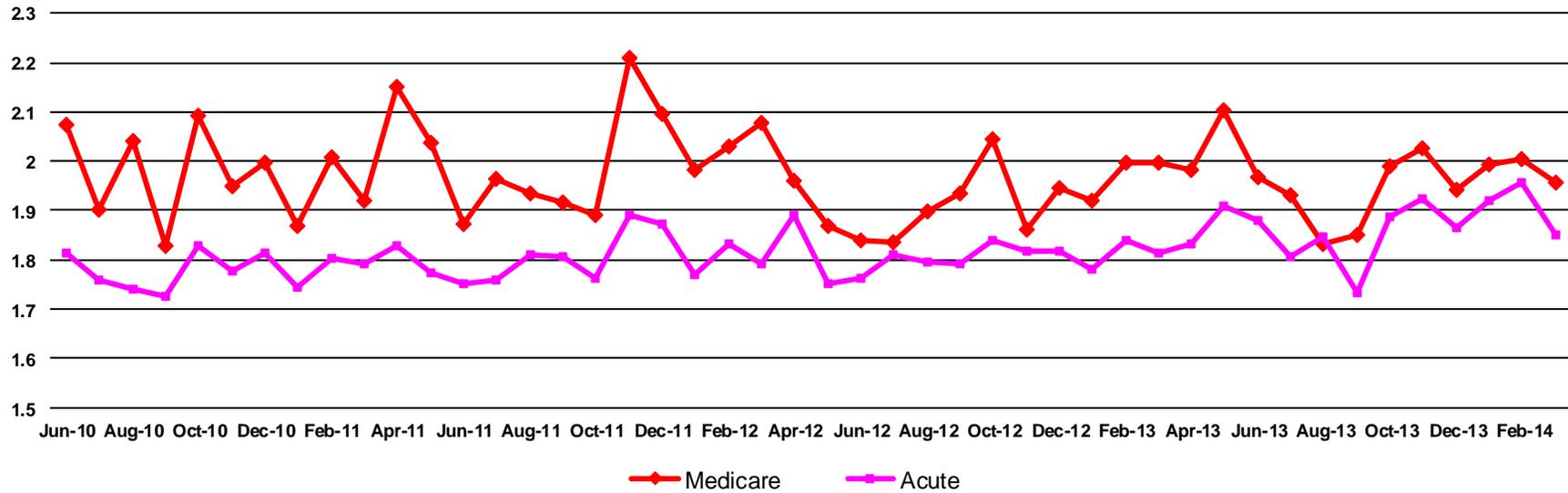
Length of Stay Index – Normal Newborn(*)

April 2011 through March 2014



(*) excludes outliers

Case Mix Index



Inpatient Surgeries – by Clinical Department

March 2014



Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Cardiothoracic	743	723	688	20	2.8% ●	55	8.0% ●
Dentistry	135	121	109	14	11.3% ●	26	23.9% ●
General Surgery	2,541	2,534	2,444	7	0.3% ○	97	4.0% ●
Gynecology	476	523	517	(47)	-9.0% ●	(41)	-7.9% ●
Neurosurgery	1,281	1,394	1,348	(113)	-8.1% ●	(67)	-5.0% ●
Ophthalmology	84	117	113	(33)	-27.9% ●	(29)	-25.7% ●
Orthopedics	2,165	2,114	2,026	51	2.4% ○	139	6.9% ●
Otolaryngology	482	511	504	(29)	-5.7% ●	(22)	-4.4% ○
Radiology – Interventional	60	79	89	(19)	-23.9% ●	(29)	-32.6% ●
Urology w/ Procedure Ste.	623	651	650	(28)	-4.4% ●	(27)	-4.2% ●
Total	8,590	8,768	8,488	(178)	-2.0% ○	102	1.2% ○
Solid Organ Transplants	215	288	269	(73)	-25.3% ●	(54)	-20.1% ●

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

Outpatient Surgeries – by Clinical Department

March 2014



Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget		Variance to Prior Year	% Variance to Prior Year	
Cardiothoracic	49	88	74	(39)	-44.3%	●	(25)	-33.8%	●
Dentistry	469	500	481	(31)	-6.2%	●	(12)	-2.5%	○
Dermatology	29	27	32	2	6.1%	●	(3)	-9.4%	●
General Surgery	2,008	2,027	1,976	(19)	-1.0%	○	32	1.6%	○
Gynecology	598	570	559	28	4.8%	●	39	7.0%	●
Internal Medicine	4	8	7	(4)	-47.3%	●	(3)	-42.9%	●
Neurosurgery	528	481	460	47	9.9%	●	68	14.8%	●
Ophthalmology	2,820	2,947	2,828	(127)	-4.3%	●	(8)	-0.3%	○
Orthopedics	3,157	2,969	2,898	188	6.3%	●	259	8.9%	●
Otolaryngology	1,790	1,946	1,850	(156)	-8.0%	●	(60)	-3.2%	●
Pediatrics	1	3	2	(2)	-66.7%	●	(1)	-50.0%	●
Radiology – Interventional	20	28	30	(8)	-28.7%	●	(10)	-33.3%	●
Urology w/ Procedure Ste.	1,564	1,516	1,520	48	3.2%	●	44	2.9%	●
Total	13,037	13,111	12,717	(74)	-0.6%	○	320	2.5%	●

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

Emergency Department

March 2014



Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
ED Visits	42,881	46,710	45,160	(3,829)	-8.2% ●	(2,279)	-5.0% ●
ED Admits	13,197	13,330	12,874	(133)	-1.0% ○	323	2.5% ●
ED Conversion Factor	30.8%	28.5%	28.5%		7.8% ●		8.0% ●
ED Admits / Total Admits	57.4%	56.8%	56.4%		1.0% ○		1.7% ○

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

Clinic Visits by Specialty

Fiscal Year to Date March 2014



Operating Review (YTD)	Actual	Budget	Variance to Budget	% Variance to Budget	
Burn Clinic	2,282	3,748	(1,466)	-39.1%	●
Center for Disabilities & Development	6,531	6,994	(463)	-6.6%	●
Center for Digestive Disease	14,792	15,563	(771)	-5.0%	●
Clinical Cancer Center	40,111	40,977	(866)	-2.1%	○
Dermatology	16,029	16,878	(849)	-5.0%	●
General Surgery	11,440	13,001	(1,561)	-12.0%	●
Hospital Dentistry	12,050	12,629	(579)	-4.6%	●
Internal Medicine	26,272	29,900	(628)	-2.3%	○
Neurology	9,764	10,458	(694)	-6.6%	●
Neurosurgery	8,449	8,566	(117)	-1.4%	○
Obstetrics/Gynecology	37,049	38,447	(1,398)	-3.6%	●
Ophthalmology	46,989	50,486	(3,497)	-6.9%	●
Orthopedics	53,490	51,682	1,808	3.5%	●
Otolaryngology	14,814	15,550	(736)	-4.7%	●
Pediatrics	39,692	42,165	(2,473)	-5.9%	●
Primary Care (non-IRL)	127,524	120,296	7,228	6.0%	●
Psychiatry	24,212	25,926	(1,714)	-6.6%	●
Urology	10,274	11,841	(1,567)	-13.2%	●
UI Heart Center	12,062	13,376	(1,314)	-9.8%	●
IRL	88,512	80,708	7,804	9.7%	●
Total	602,338	606,191	(3,853)	-0.6%	○

● Greater than 2.5% Favorable

○ Neutral

● Greater than 2.5% Unfavorable

Clinic Visits by Location

Fiscal Year to Date March 2014



Operating Review (YTD)	FY14 Actual				FY13 Actual *				Variance to Prior Year	%
	On-Site	IRL	UICMS & QuickCare	Total	On-Site	IRL	UICMS & QuickCare	Total		
Primary Care	39,359		88,165	127,524	57,999		82,121	140,120	(12,596)	-9.0%
General Internal Medicine		20,078		20,078		11,795		11,795	8,283	70.2%
Pediatrics		18,534		18,534		10,270		10,270	8,264	80.5%
<i>Subtotal - Primary Care</i>	<i>39,359</i>	<i>38,612</i>	<i>88,165</i>	<i>166,136</i>	<i>57,999</i>	<i>22,065</i>	<i>82,121</i>	<i>162,185</i>	<i>3,951</i>	<i>2.4%</i>
Burn Clinic	2,282			2,282					2,282	
Center for Disabilities & Development	6,531			6,531	6,688			6,688	(157)	-2.4%
Center for Digestive Disease	14,792	2,887		17,679	15,528	1,151		16,679	1,000	6.0%
Clinical Cancer Center	40,111			40,111	38,213			38,213	1,898	5.0%
Dermatology	16,029	4,628		20,657	16,221	1,695		17,916	2,741	15.3%
General Surgery	11,440			11,440	11,292			11,292	148	1.3%
Hospital Dentistry	12,050			12,050	11,689			11,689	361	3.1%
Internal Medicine	26,272	3,986		30,258	26,360	2,064		28,424	1,834	6.5%
Neurology	9,764			9,764	9,850			9,850	(86)	-0.9%
Neurosurgery	8,449			8,449	7,879			7,879	570	7.2%
Obstetrics/Gynecology	37,049	15,411		52,460	41,603	7,860		49,463	2,997	6.1%
Ophthalmology	46,989	5,569		52,558	48,995	2,705		51,700	858	1.7%
Orthopedics	53,490			53,490	49,509			49,509	3,981	8.0%
Otolaryngology	14,814	4,957		19,771	15,421	2,413		17,834	1,937	10.9%
Pediatrics	39,692			39,692	37,925			37,925	1,767	4.7%
Psychiatry	24,212			24,212	24,739			24,739	(527)	-2.1%
Urology	10,274	4,454		14,728	11,685	2,202		13,887	841	6.1%
UI Heart Center	12,062	8,008		20,070	13,117	4,385		17,502	2,568	14.7%
<i>Subtotal – Specialty Care</i>	<i>386,302</i>	<i>49,900</i>		<i>436,202</i>	<i>386,714</i>	<i>24,475</i>		<i>411,189</i>	<i>25,013</i>	<i>6.1%</i>
Total	425,661	88,512	88,165	602,338	444,713	46,540	82,121	573,374	28,964	5.1%

* from ongoing operations



Greater than 2.5% Favorable

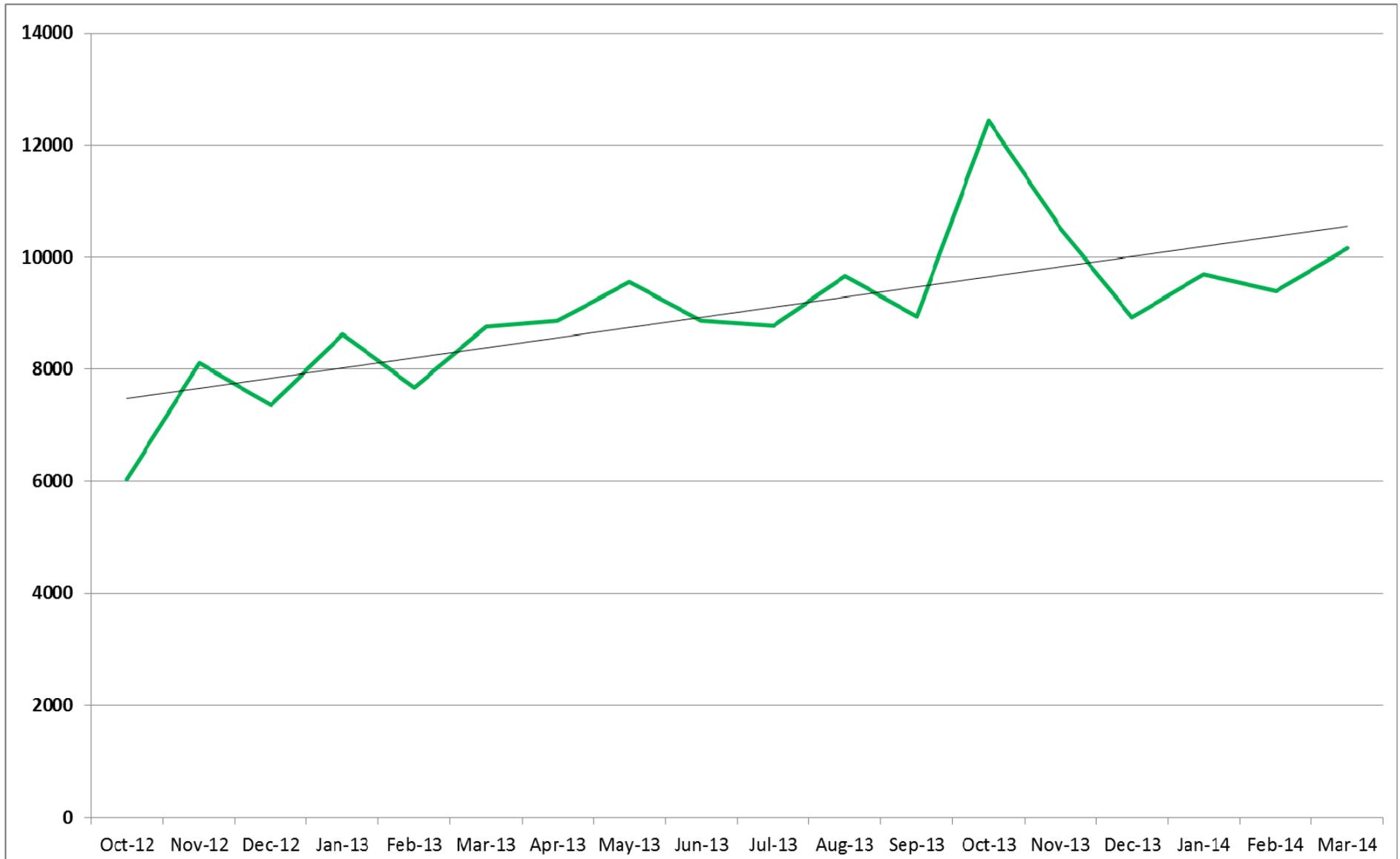


Neutral



Greater than 2.5% Unfavorable

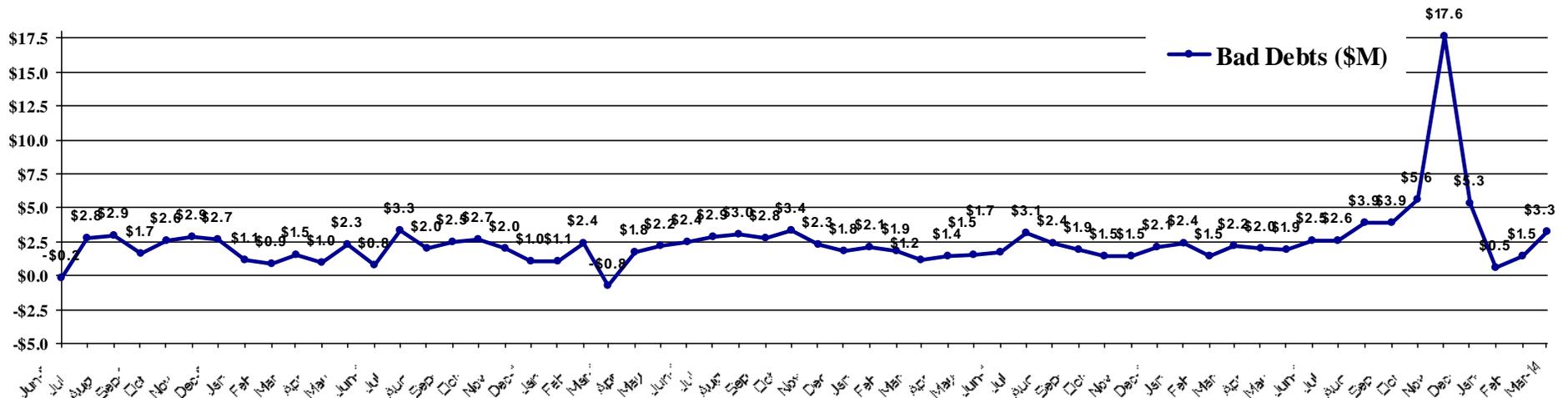
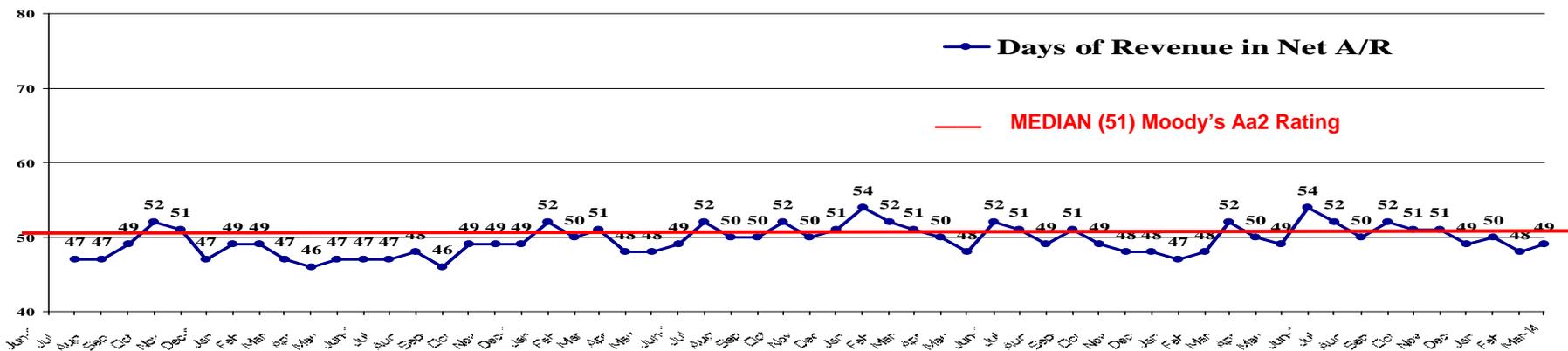
Iowa River Landing Ambulatory Visits



Comparative Accounts Receivable at March 31, 2014



	June 30, 2012	June 30, 2013	March 31, 2014
Net Accounts Receivable	\$153,061,293	\$161,942,694	\$157,482,226
Net Days in AR	52	54	49



UIHC Comparative Financial Results

March 2014



Dollars in Thousands

NET REVENUES:	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Patient Revenue	\$93,877	\$99,003	\$91,380	(\$5,126)	-5.2%	\$2,497	2.7%
Other Operating Revenue	4,230	4,228	4,381	2	0.1%	(151)	-3.4%
Total Revenue	\$98,107	\$103,231	\$95,760	(\$5,124)	-5.0%	\$2,347	2.5%

EXPENSES:

Salaries and Wages	\$47,188	\$50,268	\$47,060	(\$3,080)	-6.1%	\$128	0.3%
General Expenses	40,142	40,450	36,321	(307)	-0.8%	3,821	10.5%
Operating Expense before Capital	\$87,330	\$90,718	\$83,381	(\$3,387)	-3.7%	\$3,949	4.7%
Cash Flow Operating Margin	\$10,777	\$12,513	\$12,379	(\$1,736)	-13.9%	(\$1,603)	-12.9%
Capital- Depreciation and Amortization	5,968	6,603	6,328	(635)	-9.6%	(360)	-5.7%
Total Operating Expense	\$93,298	\$97,321	\$89,709	(\$4,023)	-4.1%	\$3,589	4.0%

Operating Income	\$4,809	\$5,911	\$6,052	(\$1,101)	-18.6%	(\$1,242)	-20.5%
Operating Margin %	4.9%	5.7%	6.3%		-0.8%		-1.4%
Gain (Loss) on Investments	2,333	2,157	7,586	176	8.2%	(5,255)	-69.3%
Other Non-Operating	134	(879)	(1,079)	1,013	115.2%	1,212	112.3%
Net Income	\$7,275	\$7,188	\$12,559	\$87	1.2%	(\$5,283)	-42.1%
Net Margin %	7.2%	6.9%	12.3%		0.3%		-5.1%

* Gain/(Loss) on Investments based on information available at close. Final investment return for this period is reflected in Fiscal Year to Date returns in the subsequent reporting cycle.

UIHC Comparative Financial Results

Fiscal Year to Date March 2014



Dollars in Thousands

NET REVENUES:	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Patient Revenue	\$744,326	\$755,211	\$710,048	(\$10,885)	-1.4%	\$34,278	4.8%
Other Operating Revenue	33,052	33,802	34,115	(750)	-2.2%	(1,063)	-3.1%
Total Revenue	\$777,379	\$789,013	\$744,163	(\$11,635)	-1.5%	\$33,216	4.5%

EXPENSES:

Salaries and Wages	\$385,303	\$394,977	\$378,236	(\$9,674)	-2.4%	\$7,066	1.9%
General Expenses	321,424	323,646	301,963	(2,222)	-0.7%	19,461	6.4%
Operating Expense before Capital	\$706,726	\$718,623	\$680,199	(\$11,897)	-1.7%	\$26,527	3.9%
Cash Flow Operating Margin	\$70,652	\$70,391	\$63,964	\$262	0.4%	\$6,689	10.5%
Capital- Depreciation and Amortization	49,123	52,821	48,162	(3,698)	-7.0%	961	2.0%
Total Operating Expense	\$755,849	\$771,444	\$728,361	(\$15,594)	-2.0%	\$27,488	3.8%

Operating Income	\$21,529	\$17,570	\$15,801	\$3,959	22.5%	\$5,727	36.2%
Operating Margin %	2.8%	2.2%	2.1%		0.6%		0.7%
Gain on Investments	25,608	17,253	18,606	8,356	48.4%	7,002	37.6%
Other Non-Operating	(8,971)	(7,031)	(2,866)	(1,940)	-27.6%	(6,105)	-213.1%
Net Income	\$38,167	\$27,792	\$31,542	\$10,375	37.3%	\$6,625	21.0%
Net Margin %	4.8%	3.5%	4.2%		1.3%		0.6%

* Gain/(Loss) on Investments based on information available at close. Final investment return for this period is reflected in Fiscal Year to Date returns in the subsequent reporting cycle.



FY 15 Operating Budget

Ken Kates, Chief Executive Officer
UI Hospitals & Clinics

Ken Fisher, Associate Vice President for Finance
and Chief Financial Officer

Laying the groundwork – focus on the Strategic Plan

- The UI Health Care Integrated Strategic Plan encompasses UI Hospitals and Clinics, the Carver College of Medicine, and UI Physicians.
- The integrated strategic plan is built on the premise of “One Vision, One Future” articulated in early 2008.
- The plan is based upon the singular mission, “Changing Medicine. Changing Lives” and articulates a far-reaching vision of “World Class People. World Class Medicine. For Iowa and the World.”
- This emphasis on excellence and being the best possible provider of patient care for Iowans, a recognized leader in medical education and a center for leading edge research is rooted in the UI Health Care shared values of innovation, collaboration, accountability, respect and excellence.

Goals

Clinical Quality &
Service

1. Provide world-class health care and service to optimize health for everyone.

Research

2. Advance world-class discovery through excellence and innovation in biomedical and health services research.

Education

3. Develop world-class health professionals and scientists through excellent, innovative and humanistic educational curricula for learners at every stage.

People

4. Foster a culture of excellence that values, engages and enables our workforce.

Diversity

5. Create an environment of inclusion where individual differences are respected and all feel welcome.

Growth &
Finance

6. Optimize a performance-driven business model that assures financial success.

Measuring Plan Performance

- The plan has a strong results orientation that identifies what UI Health Care will measure to determine progress against benchmarks and targets.
- Major indicators of success include:
 - UIHC is on the honor roll of best hospitals (*US News & World Report*)
 - The UI Children's Hospital is among the Top 25 children's hospitals (*US News & World Report*)
 - The CCOM is in the Top 10 among public medical schools
 - The CCOM is in the Top 10 for NIH funding among public medical schools
 - UI Health Care maintains its AA bond rating (*Moody's and S&P*)
- The UI Health Care operating and capital budgets are designed to enable measurable progress toward achieving the goals outlined in the strategic plan.

“Optimize a performance-driven business model that assures financial success”

Strategies:

- Ensure sound financial position of clinical programs.
- Support long-term growth of clinical programmatic priority areas.
- Ensure sound financial position of non-clinical programs.
- Ensure appropriate resources and facilities are available for clinical, education and research strategies.
- Develop and implement a business model to support the evolving healthcare delivery system, including ACO's, risk-sharing and other changes.

Strategic Metrics - Creating linkages among all units

- Margin expectation
- State and federal funding expectations
- Capital planning
- Physician workforce changes
- Clinical volumes
- Revenue
- Operating expense
- Non-operating revenue/expense

Margin Expectations

- Each CCOM department is expected to achieve breakeven at an “all funds” level
- UI Hospital and Clinics is expected to achieve an operating margin of 3% of net operating revenue

Capital Planning

- UI Hospital and Clinics will fund \$249.5 million in capital projects and routine equipment for FY2014.
 - Major Projects
 - Children's Hospital – \$95.0 M
 - IT hardware and software – \$17.7 M
 - Clinical Equipment – \$15.6 M
 - Backup generator for JPP – \$11.0 M
 - Mechanical/HVAC replacement – \$9.5 M
 - Development of Shell Space on Level 7 RCP JCP JPP – \$9.3 M
 - Iowa River Landing 5th floor expansion – \$7.5 M
 - Cardiovascular Center consolidation of clinics – \$7.4 M
 - Other routine renovation and equipment replacement – \$76.5 M

Forecasting Clinical Volumes—Process

- Program Driven Assumptions from Clinical Leadership, Hospital Leadership and VPMA Cabinet
 - Admissions and visits
 - Case mix index (CMI)
 - RVU's
 - Surgical volume
 - Length of stay by clinical service (medical/surgical)
 - Outpatient activity

Forecasting Clinical Volumes—Process (cont'd)

- Input from all key stakeholders
- Exploded key driving volumes, linking physician effort with hospital cost center level volumes for all areas
- Enterprise-wide agreement and consistency in projections
- VPMA Cabinet validated and finalized

Revenue Forecast

- Exploded key driving volumes
 - Clinical RVU's (physician work effort)
 - Cost center level volumes for all hospital areas
- Volumes yield Gross Revenue
- Net Revenue Modeled with Assumptions
 - Payer Mix
 - Chargemaster Rate Change
 - Payer Rate changes
 - Case Mix Index changes
 - Type of Service (Inpatient or Outpatient)
- Net Revenue for all Clinical Departments and Hospital
- Reviewed with VPMA Cabinet and “locked down”

Expense Forecast

- Includes inflation assumptions on wages, supplies and UI pass-through or charge backs
- Includes known changes in funds flow between CCOM/UIP/UIHC
- Sensitive to volume changes
- Includes cost-reduction initiatives necessary to meet operating margin

HOSPITAL & CLINICS BUDGET PROJECTIONS

UI Health Care Operating Budget FY2015

UI Health Care – Key Drivers

Revenue

Volume Growth	
Inpatient (1.5% growth before IowaCare adj)	0.7%
Outpatient (3% growth before IowaCare adj)	1.7%
Physician Work RVUs	1.9%
ALOS Reduction (2.5% before IowaCare adj)	1.2%
Case Mix Increase	2.2%
Payor Rate Increase	0.8%
Charge Increase (UIHC)	6.0%
Charge Increase (UIP)	3.0%

Expense

Salary Increase Assumptions	
SEIU	2.5%
Merit	1.2%
P & S	2.5%
Faculty	2.0%
Blended Fringe Benefit Rate	36.8%
Non-Salary Increase Assumptions	
Drugs	6.0%
Supplies	3.0%
Utilities	4.5%
Other Non-Salary Expenses	3.0%

UIHC FY2015 Operating Budget (Preliminary)



	PRELIMINARY BUDGET 2015	Projected 2014	Actual 2013
Net Operating Revenue			
Net Patient Revenue	\$ 1,189,335	\$ 1,128,404	\$ 1,072,224
Other Operating Revenue	49,115	50,230	53,112
Total Net Operating Revenue	<u>\$ 1,238,450</u>	<u>\$ 1,178,634</u>	<u>\$ 1,125,336</u>
Operating Expenses			
Salary, Benefits, and Contract Labor	\$ 609,890	\$ 579,182	\$ 564,876
Supplies and Drugs	253,806	243,356	222,992
Services	151,029	141,077	127,503
Capital Expenses	26,612	25,594	29,806
Insurance	2,675	2,597	3,066
Licenses, Fees, and Other Expenses	76,648	74,297	65,468
Total Operating Expenses	<u>\$ 1,120,660</u>	<u>\$ 1,066,103</u>	<u>\$ 1,013,711</u>
Cash Flow Operating Margin	<u>\$ 117,790</u>	<u>\$ 112,531</u>	<u>\$ 111,625</u>
CFO Margin %	9.5%	9.5%	9.9%
Depreciation	\$ 80,636	\$ 76,065	\$ 72,671
Operating Income	<u>\$ 37,154</u>	<u>\$ 36,466</u>	<u>\$ 38,954</u>
Operating Margin %	3.0%	3.1%	3.5%
Non-Operating Income	\$ 19,063	\$ 18,507	\$ 17,968
Net Income	<u>\$ 56,217</u>	<u>\$ 54,973</u>	<u>\$ 56,922</u>
Net Income Margin %	4.5%	4.7%	5.1%

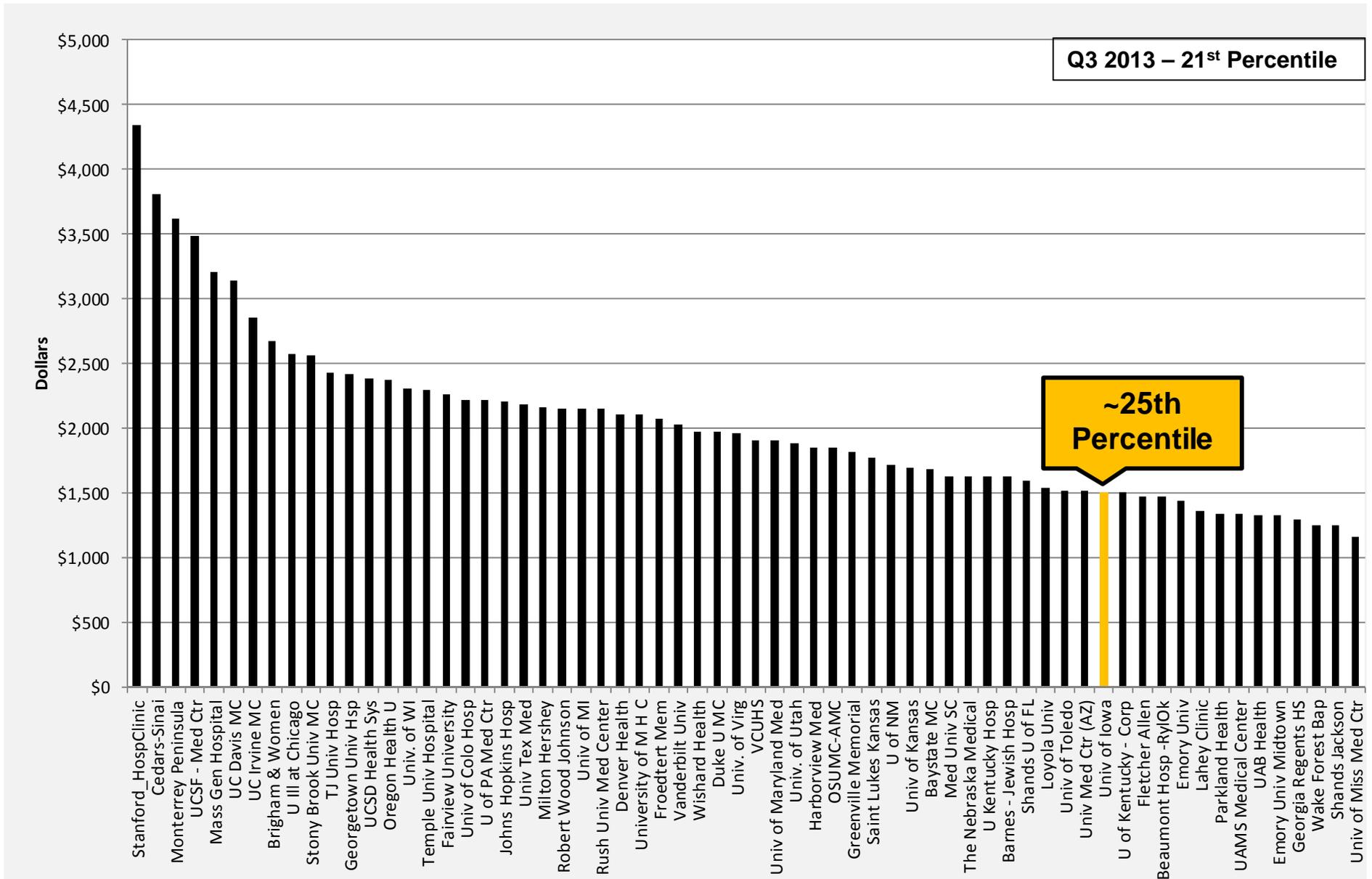
Summary of Proposed Budget

- UI Hospitals and Clinics
 - Risks
 - Volume Risk:
 - Change from IowaCare to Iowa Health & Wellness Program
 - Payment Risk:
 - Payer mix changes
 - Governmental budget cuts and reform impacts
 - Movement of volumes to the outpatient setting
 - Decrease in Elective Procedures
 - Opportunities
 - Increasing access through centralized scheduling

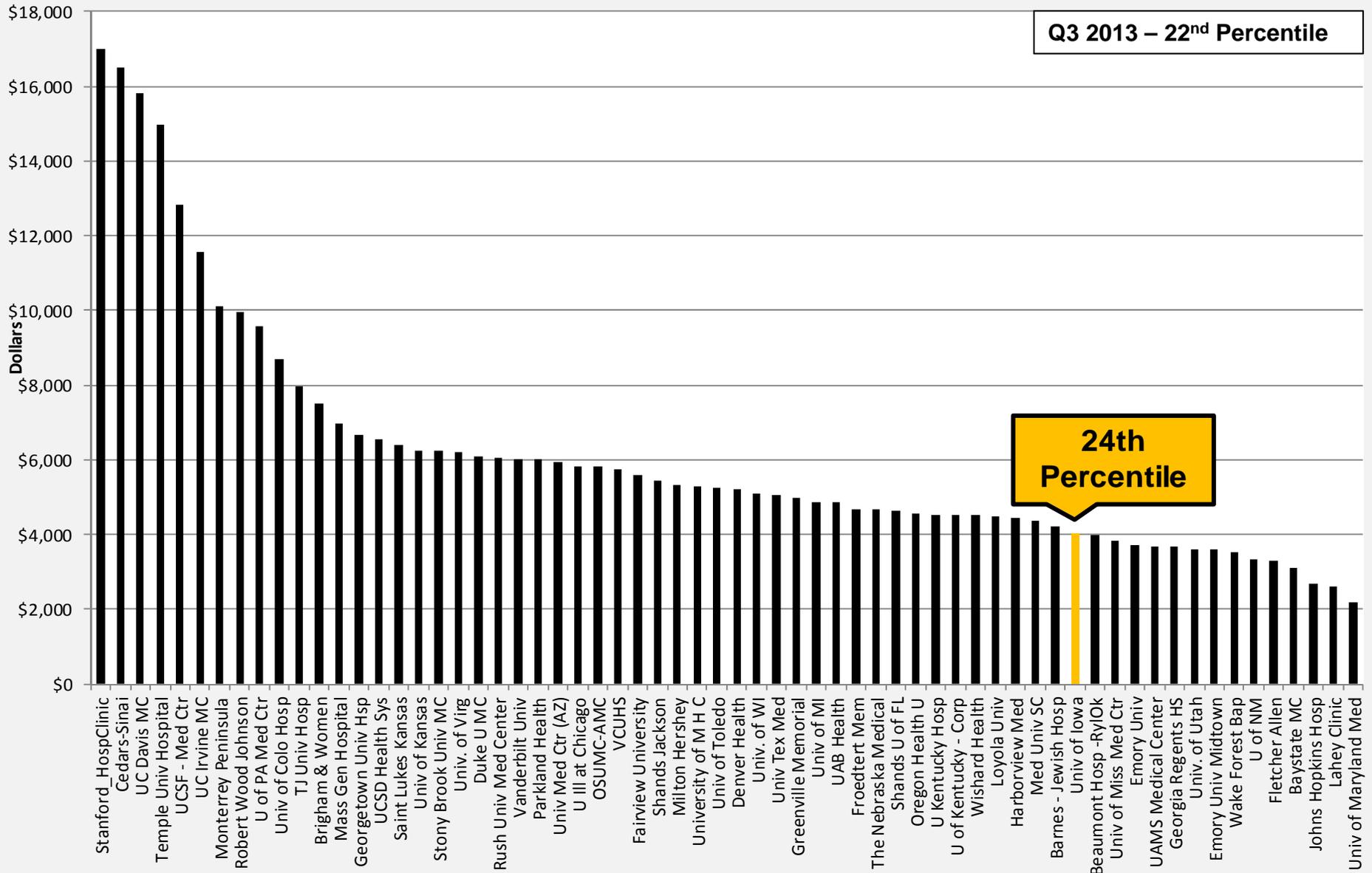
Headwinds

- Governmental Payers – FY15 Projected Payment Reductions
- Medicare
 - Sequestration expected to continue – (\$5.2M) estimated impact
 - Potential risks to DSH/Uncompensated Care (payer volume changes and on-going formula adjustments by CMS)
- Medicaid
 - Rate rebase effective in FY15 – impact to UIHC unknown as IME is still completing its review
 - Impact of new Iowa Health & Wellness plans could result in changes to rates, payer processes and volumes by facility
- Other Payers
 - State exchange January 1, 2014
 - ACO's and changing marketplace of products

Net Operating Revenue per CMI Weighted Adjusted Patient Day



Gross Revenue per CMI Weighted Adjusted Patient Day



Chargemaster Price Increase

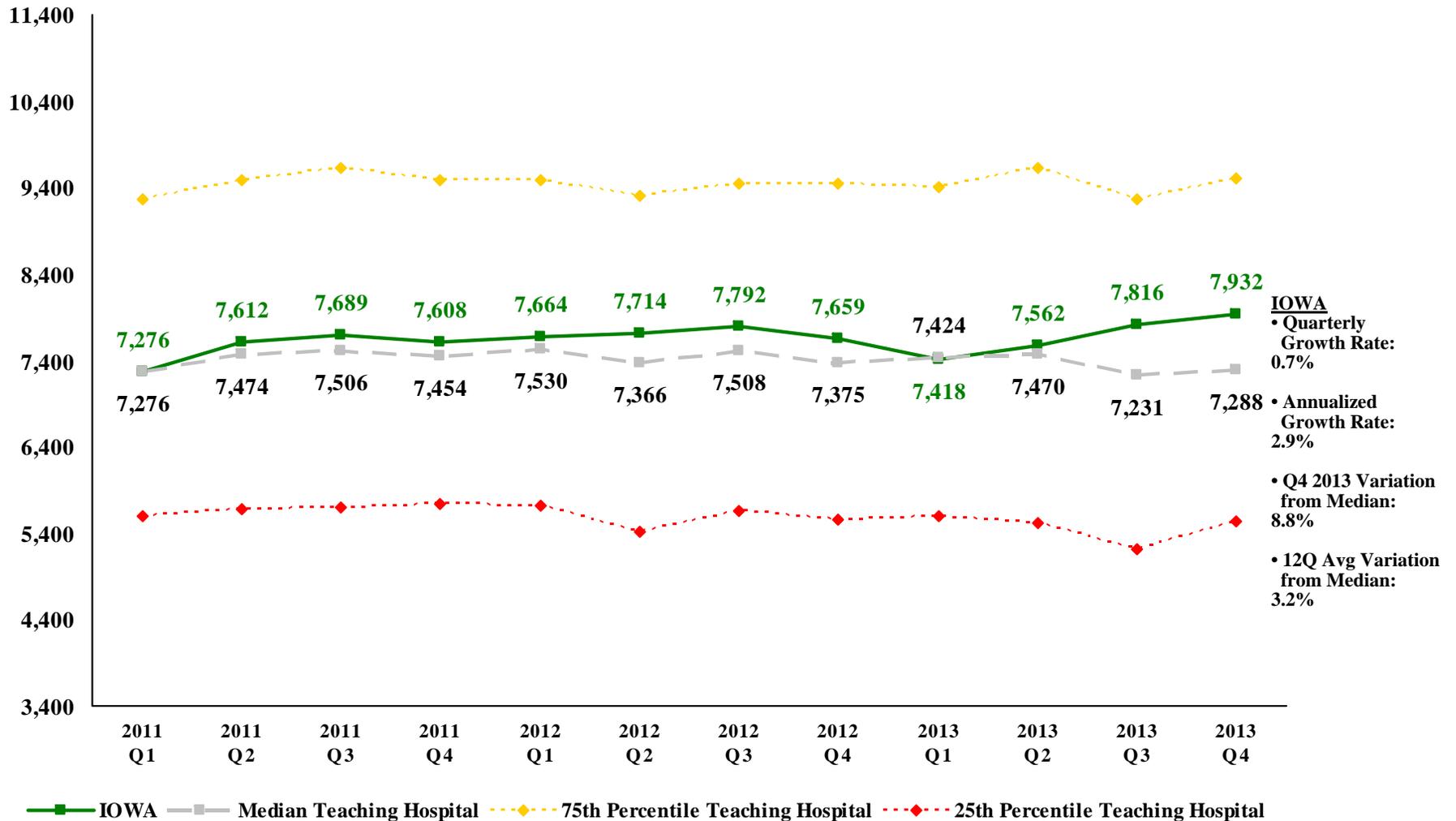
- Proposed: A 6% rate increase at University of Iowa Hospital and Clinics effective July 1, 2015.
- Background
 - A detailed analysis has been done looking at all available benchmarks and cost data. Inflation, contract structures, and other related details were specifically reviewed in determining the proposed rate change.

HOSPITAL BENCHMARKS

Total Discharges

Benchmarked against Median Teaching Hospital • Twelve Most Recent Quarters

University of Iowa Hospitals and Clinics

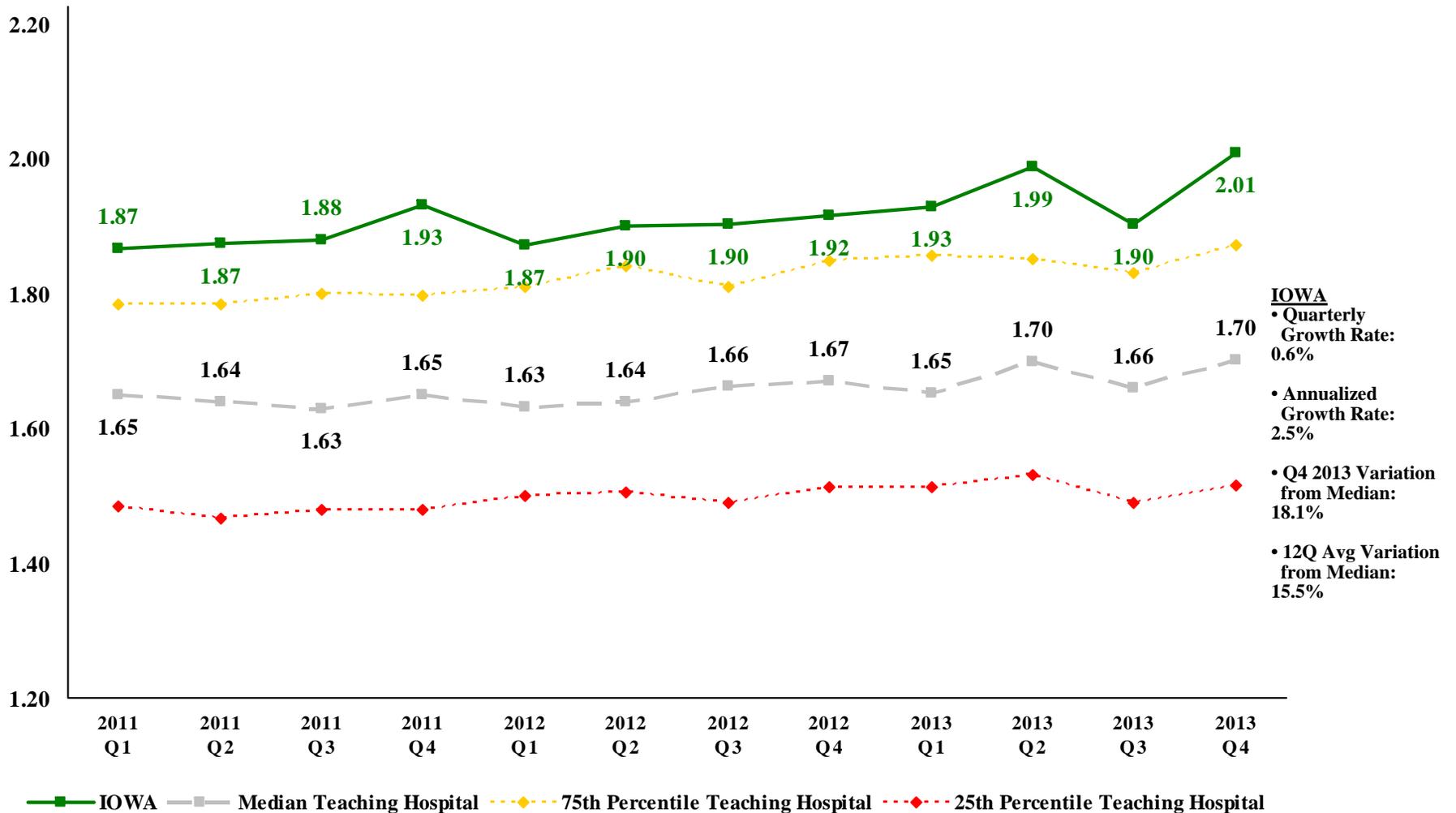


Source: AAMC•COTH Quarterly Survey of Hospital Operations & Financial Performance
 Note: Valid n varies from 144 to 161.
 Total Discharges = Total Discharges

Overall Hospital Case Mix Index

Benchmarked against Median Teaching Hospital • Twelve Most Recent Quarters

University of Iowa Hospitals and Clinics

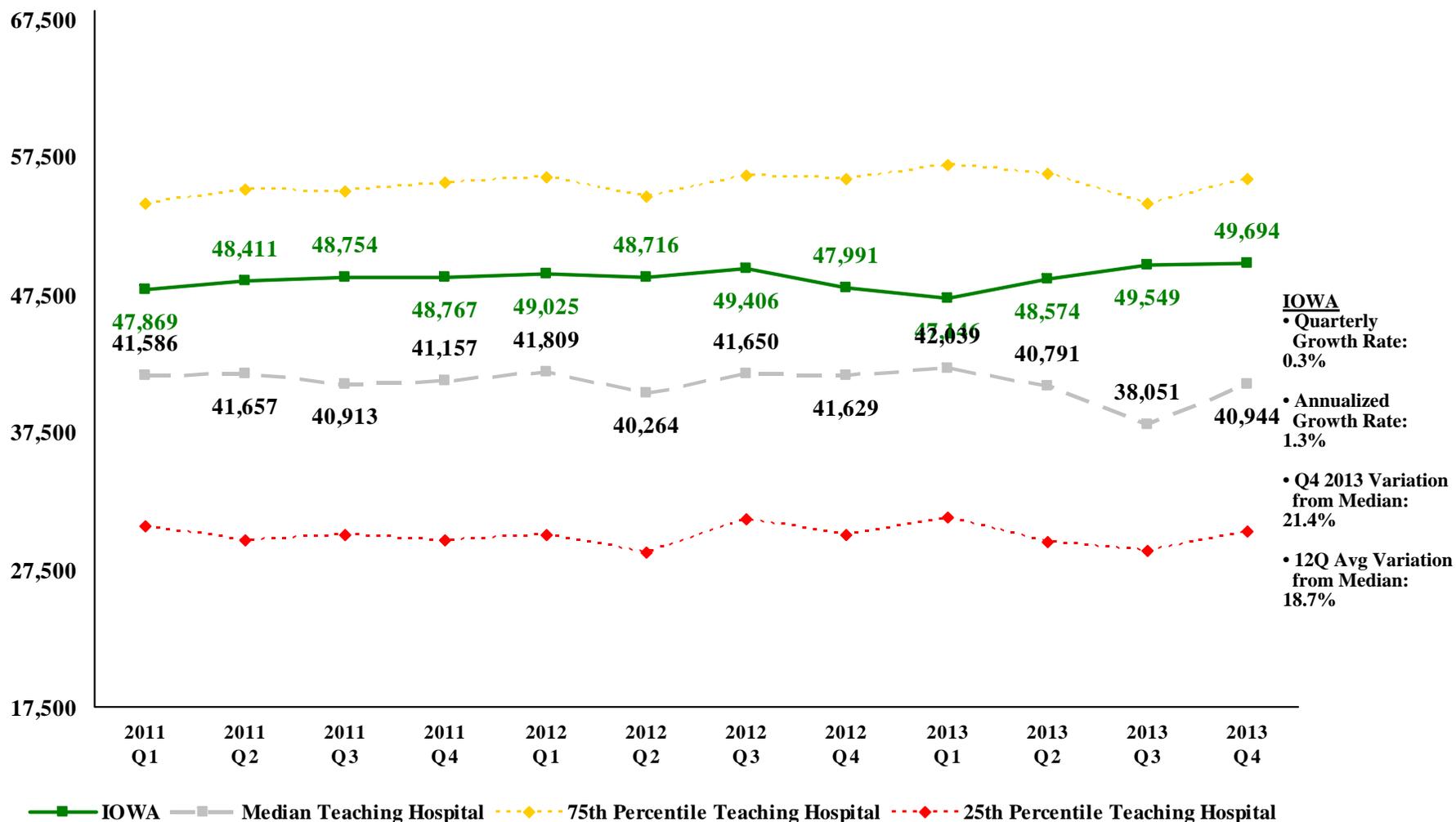


Source: AAMC•COTH Quarterly Survey of Hospital Operations & Financial Performance
 Note: Valid n varies from 144 to 161.
 Overall Hospital Case Mix Index = Overall Hospital Case Mix Index

Total Patient Days

Benchmarked against Median Teaching Hospital • Twelve Most Recent Quarters

University of Iowa Hospitals and Clinics



Source: AAMC•COTH Quarterly Survey of Hospital Operations & Financial Performance
 Note: Valid n varies from 144 to 161.
 Total Patient Days = Total Patient Days

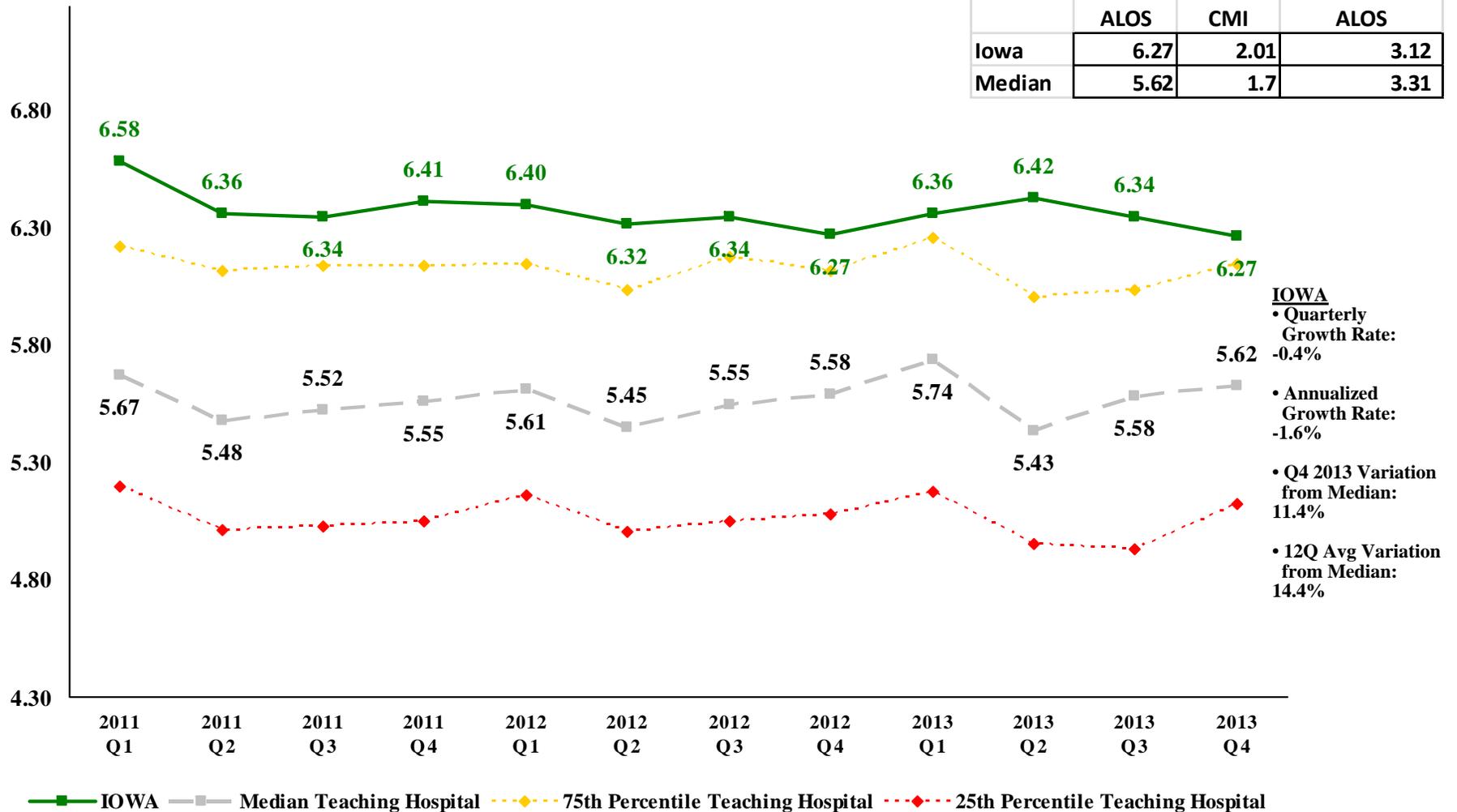
Average Length of Stay

Benchmarked against Median Teaching Hospital • Twelve Most Recent Quarters

University of Iowa Hospitals and Clinics



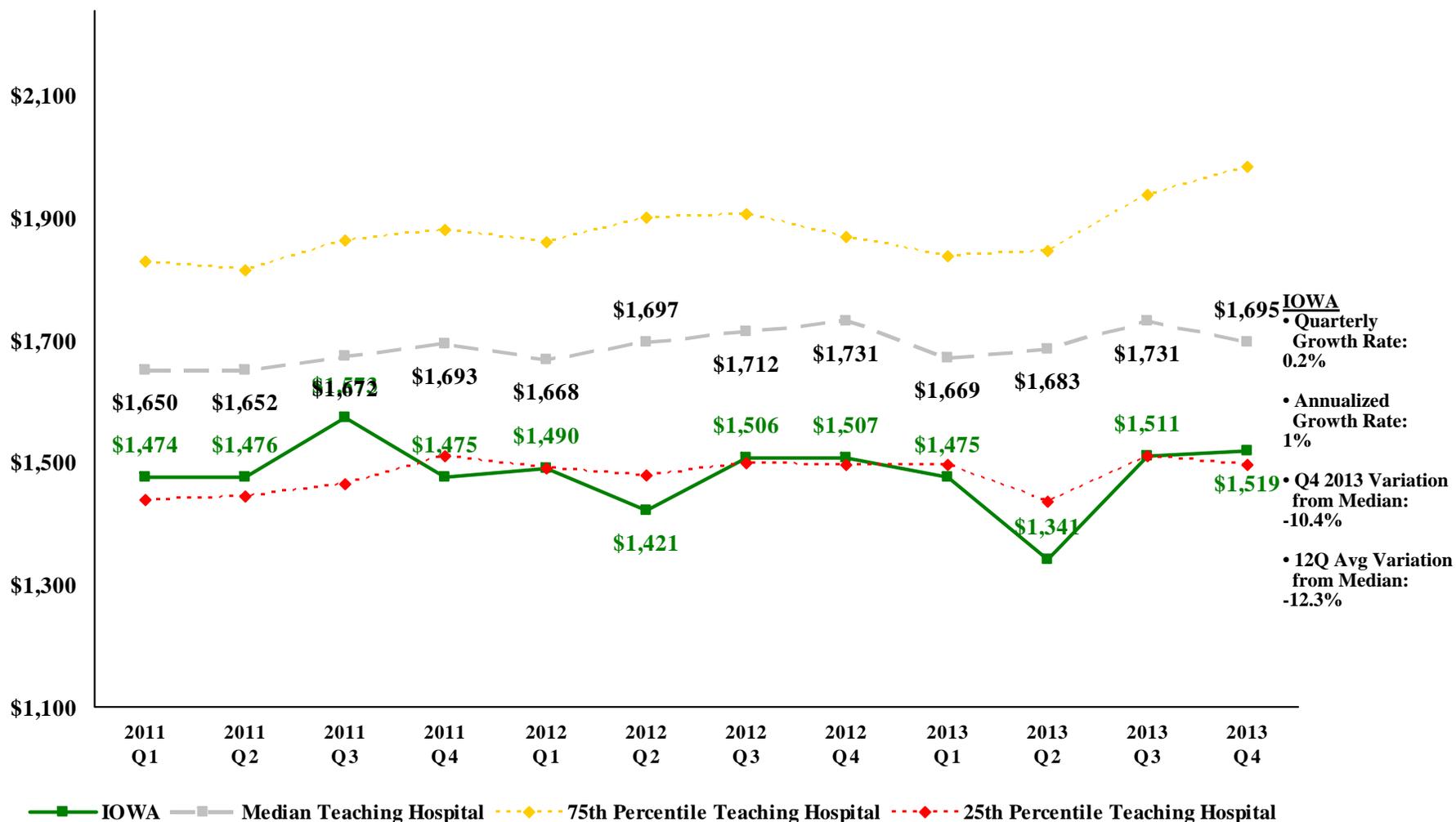
	ALOS	CMI	CMI Adjusted ALOS
Iowa	6.27	2.01	3.12
Median	5.62	1.7	3.31



Source: AAMC•COTH Quarterly Survey of Hospital Operations & Financial Performance
 Note: Valid n varies from 144 to 161.
 Average Length of Stay = Total Patient Days / Total Discharges

Wage and CMI Standardized Expense per Adjusted Patient Day Benchmarked against Median Teaching Hospital • Twelve Most Recent Quarters

University of Iowa Hospitals and Clinics



Source: AAMC•COTH Quarterly Survey of Hospital Operations & Financial Performance

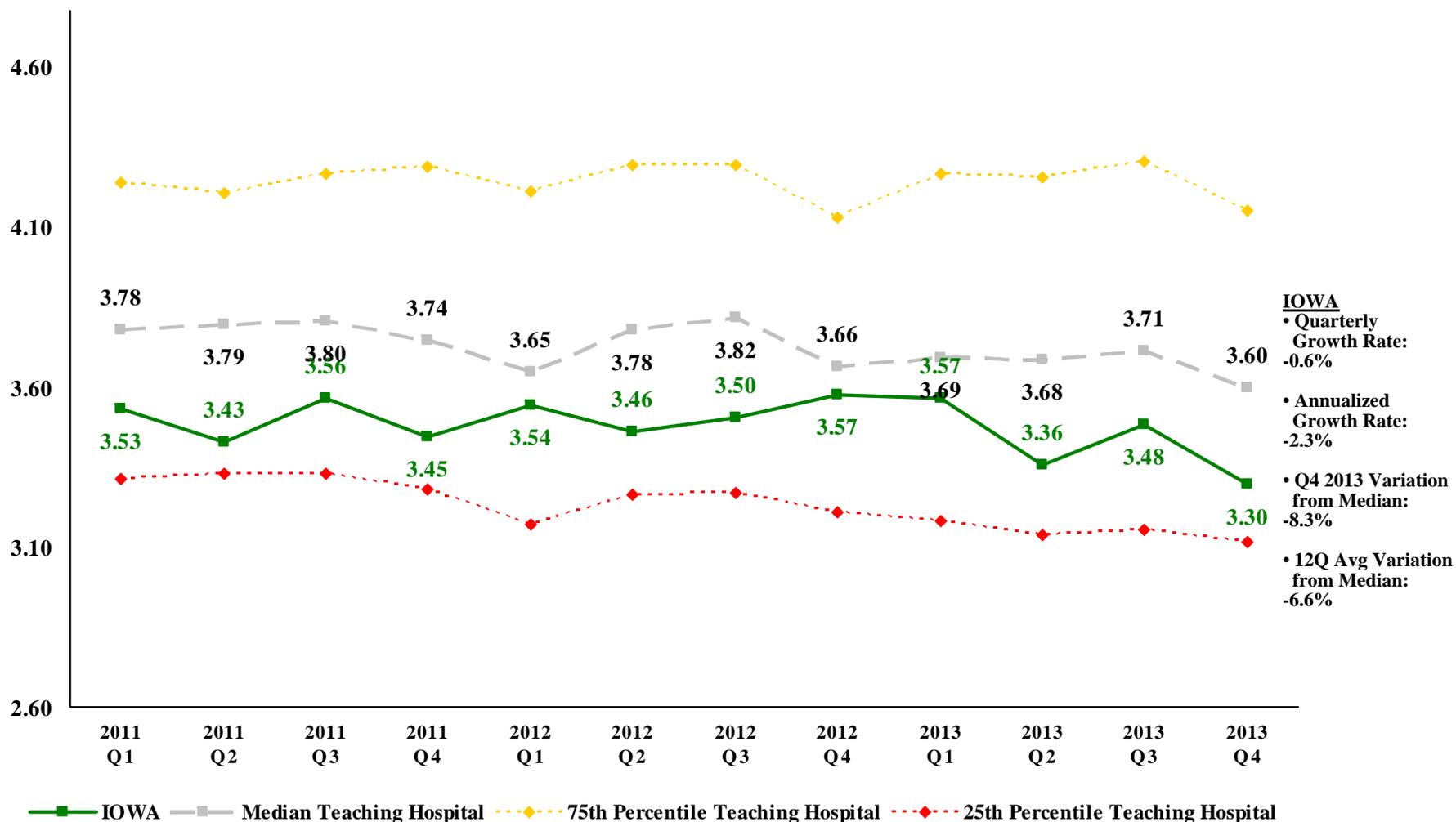
Note: Valid n varies from 144 to 161.

Wage and CMI Standardized Expense per Adjusted Patient Day = (((Total Operating Expenses-Total Other Operating Revenue)*(Gross Inpatient Revenue/total Gross Revenue))/Total Patient Days)/Area Wage Index from CMS PPS Impact File/Overall Hospital Case Mix Index

CMI Adjusted FTEs per Adjusted Occupied Bed

Benchmarked against Median Teaching Hospital • Twelve Most Recent Quarters

University of Iowa Hospitals and Clinics

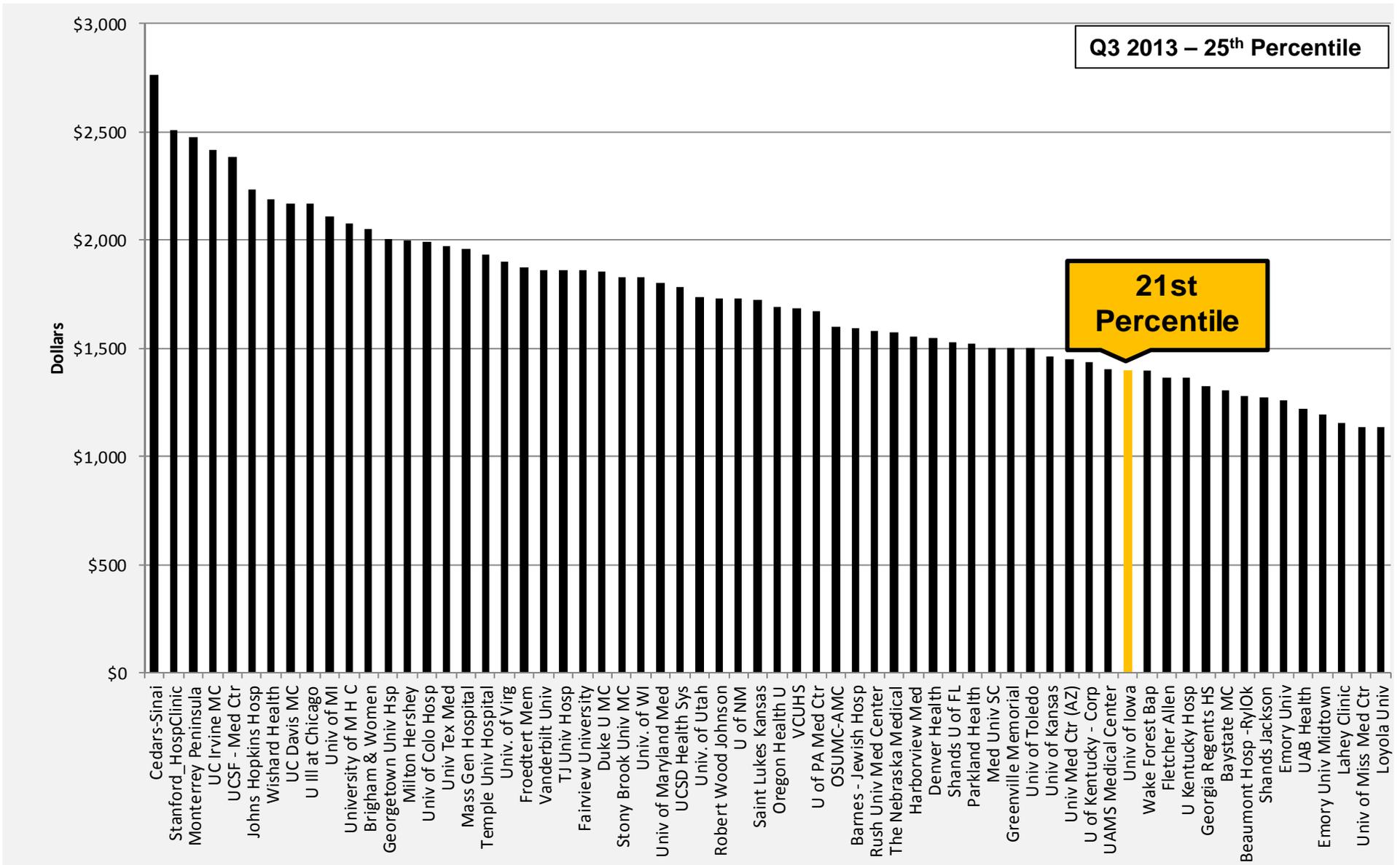


Source: AAMC•COTH Quarterly Survey of Hospital Operations & Financial Performance

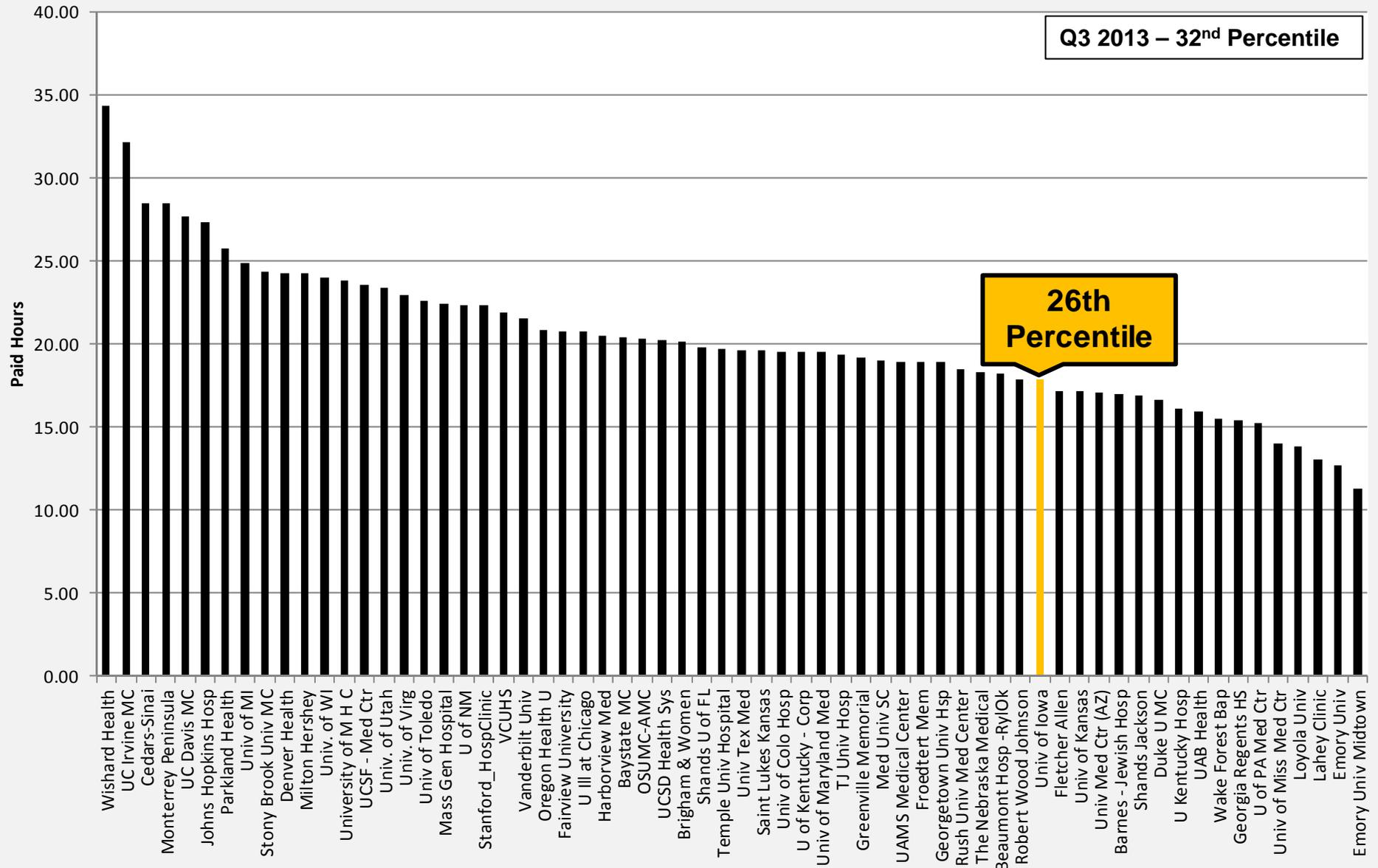
Note: Valid n varies from 144 to 161.

CMI Adjusted FTEs per Adjusted Occupied Bed = ((Total FTEs * (Total Inpatient Gross Revenue / Total Gross Revenue)) / (Total Patient Days / (365/4))) / Overall Hospital Case Mix Index

Total Expense AWI Adjusted (Excluding Provider) per CMI Weighted Adjusted Patient Day



Total Paid Hours (Excl Provider) per CMI Weighted Adjusted Patient Day



Total Supply Expense per CMI Weighted Adjusted Patient Day

