
**MEETING OF THE BOARD OF REGENTS, STATE OF IOWA AS THE BOARD OF TRUSTEES OF THE
UNIVERSITY OF IOWA HOSPITALS AND CLINICS**

**June 14, 2005
8:30 a.m. - 10:00 a.m.
Council Bluffs, Iowa**

AGENDA

- | | | |
|-----------|--|--|
| (5 Min.) | I. Introductory Comments..... | David J. Skorton, President
The University of Iowa |
| (5 Min.) | II. Meeting Objectives..... | Donna Katen-Bahensky, Director and Chief Executive Officer |
| (40 Min.) | III. Strategic Plan* (Attachment A)..... | Donna Katen-Bahensky, Director and Chief Executive Officer |
| (45 Min.) | IV. FY 2006 Operating Budget (Attachment B)..... | Anthony C. DeFurio, Associate Director and Chief Financial Officer |
| (15 Min.) | V. Register of UIHC Capital Improvement
Business Transactions (Attachment C)..... | John H. Staley, Senior Associate Director |
| (5 Min.) | VI. By-Law Amendments (Attachment D)..... | William W. Hesson, Associate Director and Legal Counsel |

*Attachment E (Appendix to Strategic Plan) will not be discussed in meeting

Meeting Objectives

- Discussion and Approval of Strategic Plan
- Discussion of Planning Parameters of FY 2006 Budget
- Discussion and Approval of FY 2006 Budget and Rate Increase
- Discussion and Approval of Capital Register Transactions
- Discussion and Approval of By-law Amendments



**Strategic Plan Update
Board of Regents, State of Iowa
as the Board of Trustees**

June, 2005

UIHC Planning Process



Where are we?

- Interviews
- Data Analysis
- Issue Identification



Where do we want to be?

- Mission
- Vision
- Values
- Culture Statement



How will we get there?

- Strategy Development
 - Goals
 - Strategies
- Plan Wrap-up
 - Implementation Plan
 - Financial Implications

Where Are We?
Environmental Assessment Summary

Summary of Interviews

Summary of Internal Interviews⁽¹⁾

- 👤 **Improving financial performance should be a high priority**
- 👤 **Clarify the vision for UIHC and the roles of the hospital and CCOM in realizing it**
- 👤 **Identify primary service lines and secure/enhance their position**
- 👤 **Continue to strengthen operations including the patient experience**
- 👤 **Create a strong culture, emphasizing customer service, interdisciplinary care, an excellent workplace, and fostering innovation**
- 👤 **Recruit/retain top quality faculty and staff**

(1) List of all persons interviewed appears in Appendix A

Summary of Board/Community Interviews⁽¹⁾

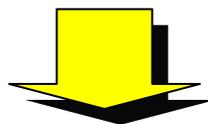
- **Play a larger role in local/regional economic development and health care policy statewide**
- **Become a much more user-friendly organization**
- **Establish a stronger market presence and identity**
- **Significantly improve/streamline operations**

(1) List of all persons interviewed appears in Appendix A

Data Summary

External Assessment Summary (2)

- Iowa is a slow growth market
- Many academic medical centers are within a few hours of Iowa City and pose a significant competitive threat
 - Outreach activities of Mayo and others are increasingly in UIHC's backyard
- The hospital industry in Iowa has consolidated into a handful of large systems which are attempting to provide a full range of services similar to UIHC
- For-profit, niche players (surgery centers, imaging centers, and the like) are a growing factor in the erosion of the historical patient base of hospitals, especially in the better performing segments financially

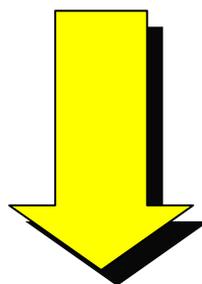


UIHC's faces stiff competition and will need to become much more sophisticated in its strategies if it is to maintain its position

(1) Data analysis in Appendix B

Internal Assessment Summary⁽¹⁾

- **UIHC has many regionally and nationally recognized services and many outstanding physicians**
- **UIHC's market position is improving**
- **UIHC's finances are strong and continuing to improve**
- **UIHC's role in education and research is substantial**
- **Opportunities for further growth are significant**

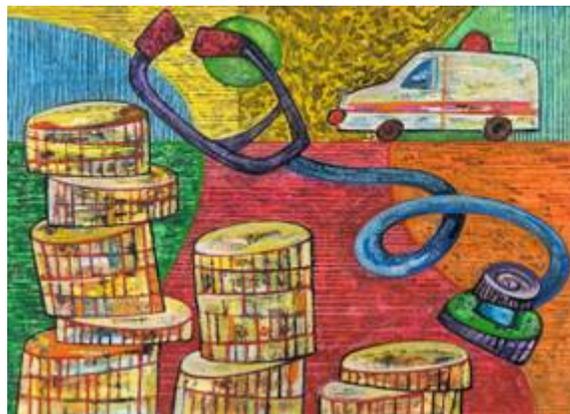


UIHC needs to continue to improve internal operations while becoming more market focused

(1) Data analysis in Appendix B

Internal Assessment - UIHC Finances⁽¹⁾

- Overall, financial position is strong, reflecting many years of solid performance
- Recent operating income declines (2002-2004) indicate need for revenue enhancement and cost containment initiatives
- Inpatient services provide 90% of contribution margin, with Cardiothoracic Surgery, General Medicine and Pediatrics, Invasive Cardiology, Neonatology, Neurosurgery, and General Surgery accounting for the vast majority of the margin
- Outpatient clinics exhibit markedly negative financial performance



(1) Data analysis in Appendix B

Environmental Assessment Conclusions

Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Many market leading, unique services • Regional/national reputation • Large medical staff with many outstanding clinicians • Strong financial position with need to strengthen operating margin • Teaching program and research support 	<ul style="list-style-type: none"> • Service • Recent financial performance • Bureaucracy limits agility • Facilities aging and increasingly uncompetitive • Coordination of integrated care across clinical areas • Not market focused
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Huge program growth opportunities in key lines • Market leadership in innovation • Market leadership in outcomes/safety • Build on service leadership program 	<ul style="list-style-type: none"> • Formidable academic medical center and Iowa competition • Government budget difficulties and Wellmark relationship • Staffing shortages in certain specialty areas

**Where Do We Want To Be?
Organizational Direction**

Mission/Vision



What is our organization's purpose?

(One sentence, enduring, for internal and external audiences)



What does our organization aspire to be in 5-10 years?

(Motivator, short description, primarily for internal audiences)

UIHC Mission and Proposed Vision

MISSION

- **The University of Iowa Hospitals and Clinics, in compliance with the Code of Iowa, serves as the teaching hospital and comprehensive health care center for the State of Iowa, thereby promoting the health of Iowans regardless of their ability to pay. It:**
 1. **Offers a broad spectrum of clinical services to all patients cared for within the Center and through its outreach programs;**
 2. **Serves as the primary teaching hospital for the University; and,**
 3. **Provides a base for innovative research to improve health care.**

PROPOSED 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 Carver College of Medicine.**

**How Will We Get There?
Strategy Development**

Strategy Development Assumptions

- **Specific goals and strategies for the UIHC Strategic Plan were developed utilizing three multidisciplinary strategy teams based on the elements in the vision statement – Innovative Care, Excellent Service, and Exceptional Outcomes.**
- **Each team met over a three month period to define their vision element, identify goals, and delineate specific strategies that would assist UIHC to meet their goals by 2010.**
- **During the course of strategy development, several key issues were identified and, in order for this plan to be successful, these issues need to constantly be addressed and monitored by leadership:**
 - **System Transformation – This issue is addressed in various strategies, but the majority of individuals felt that the healthcare delivery system needs to be transformed across the country. It is hoped that this plan will initiate a transformation in the delivery of care.**
 - **Culture – Each group identified the need to change various elements of UIHC’s current culture. An emphasis on culture is woven into the plan, however, it must be noted that culture change is not a strategy but rather a result. Therefore, leadership must emphasize a cultural shift through plan implementation.**

Strategy Development Assumptions (continued)

- **Joint CCOM Implementation** – It is recognized that the success of UIHC is dependent upon the CCOM and that the success of the CCOM is dependent upon UIHC. Therefore, plan implementation will only be successful by the mutual involvement of both organizations and leadership will strive to ensure that this happens.
- **Execution** – Multiple barriers to strategic plan implementation were identified based on past history. It is imperative that the ideas in this plan be fully implemented in a timely manner. To accomplish this, leadership will be responsible for committing to the successful and complete implementation of each strategy and faculty and staff will be empowered to ensure full implementation.
- The UIHC Strategic Plan was created utilizing a very interactive, participatory process that included dedicated faculty and staff. Through this interactive process, plan ownership is shared by all faculty and staff.

Strategy Development Framework



Key Strategy Dimensions

Structure

Delivery of Care

Market Responsiveness

Strategic Issues

-  Strategic Support
-  Strategic Priorities



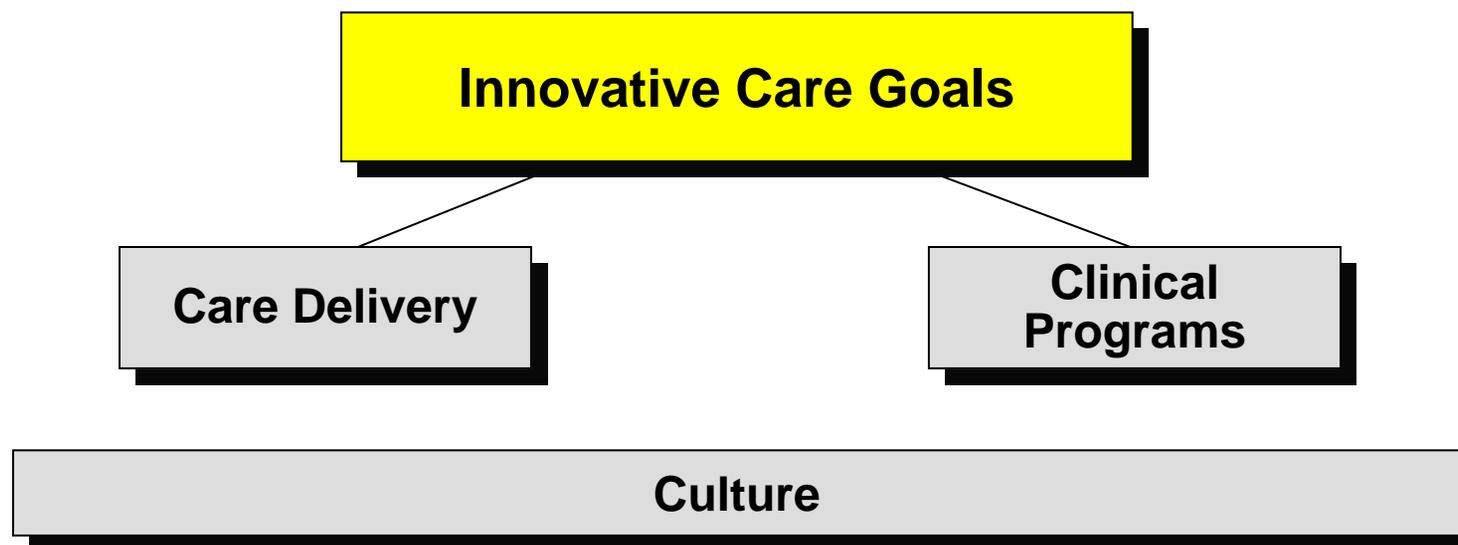
Strategy Development Teams and Members

Innovative Care	Excellent Service	Exceptional Outcomes
Dr. Paul Rothman *	Dr. Eric Dickson *	Dr. John Buatti *
Anthony DeFurio *	Ann Madden Rice *	Linda Everett *
Paul Abramowitz	Mary Ameche	Lee Carmen
Linda Chase	Randall Aitchison	Shane Cerone
Dr. John Fieselmann	Kimberly Chamberlin	Cindy Doyle
Dr. Mark Iannettoni	Tim Gaillard	Dr. Dan Fick
Deann Montchal	Dr. Laurie Fajardo	Dr. Bruce Gantz
Jackie Nelson	William Hesson	Dr. Charles Helms
John Staley	Beth Houlahan	Jessica McAllister
Kristy Walker	Christopher Klitgaard	Chris Miller
	Dr. Barbara Muller	Mark Moser
	Christine Scheetz	Marita Titler

* Denotes co-chairs

Innovative Care

“Innovative care is distinctive and valued by the market, it is known as cutting-edge or best”



- 🌐 **Organization that embraces change and encourages new ideas both now and in the future**

Innovative Care Goals

Goal: Care Delivery

- 🎯 UIHC will be recognized as a state and national leader in developing and implementing new and more efficient healthcare delivery models that emphasize a quality-driven patient experience

Measurement

- 🎯 Cost effectiveness measure
- 🎯 Increased number of selected web-based interactions

Strategic Themes

- 🎯 UIHC's Ambulatory Care Standards of Excellence and similar standards for inpatient services
- 🎯 Coordinated, interdisciplinary care models
- 🎯 Information technology and internet and intranet innovations
- 🎯 Training physicians and healthcare providers in the new models

Innovative Care Goals (continued)

Goal: Clinical Programs

- **Select UIHC clinical services will be leaders in the state and national market by offering cutting edge clinical services, robust clinical research and strong training opportunities**

Measurement

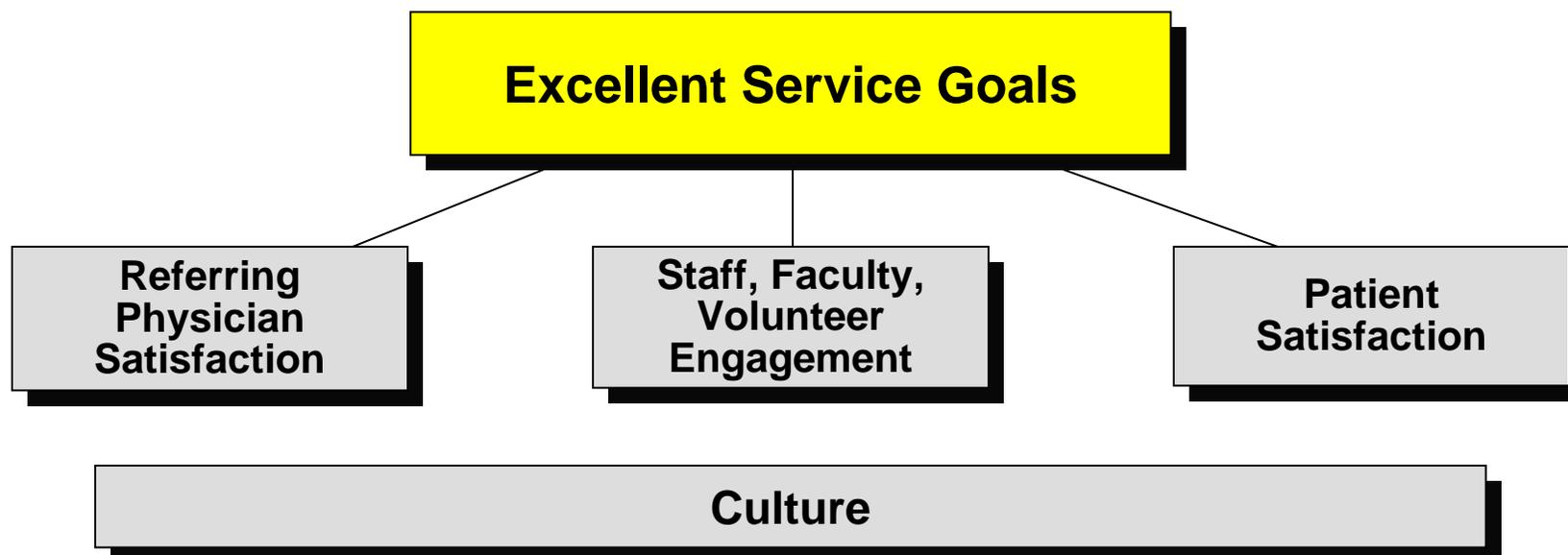
- **Increased out-of-state market share**
- **Decreased out-migration**
- **Increased University employee use of services**

Strategic Themes

- **Clinical services for growth and opportunity**
- **Business planning process**
- **Business development**
- **Enhanced training programs**
- **Clinical trials**

Excellent Service

“Excellent service is based on the successful performance and interrelationship between people, process, and setting”



- 🎯 **Culture shift to focus on the patient/family experience**
- 🎯 **Inherent incentives to cross departments and shift from silo to multidisciplinary interactions**
- 🎯 **Environment doesn't “blame” but recognizes service importance**

Excellent Service Goals

Goal: Patient Satisfaction

- Patients and families will be highly satisfied with their entire UIHC experience in all settings

Measurement

- Improved aggregate inpatient and outpatient satisfaction scores as compared to University Hospital Consortium Iowa hospitals

Strategic Themes

- Patient throughput
- Pursue Baldrige National Quality award guidelines
- Patient-family centered culture currently in practice at Children's Hospital of Iowa
- Tools for faculty to deliver effective and efficient care

Excellent Service Goals (continued)

Goal: Referring Physicians

- 🌟 **UIHC will be recognized by referring physicians for its efficient and effective support to their patients**

Measurement

- 🌟 **Increased referring physician satisfaction**
- 🌟 **Increased number of referrals (new and existing)**

Strategic Themes

- 🌟 **Referring physician outreach program**
- 🌟 **Referring physician service environment**
- 🌟 **Patient transfer system**

Excellent Service Goals (continued)

Goal: Staff, Faculty and Volunteer Engagement

- Staff, faculty and volunteers feel valued and engaged in the pursuit of UIHC's vision

Measurement

- Increase in bi-annual engagement survey

Strategic Themes

- Re-invigorate the concept of UIHC Service Leadership
- Clear expectations, empowered staff and accountability
- Faculty, staff, volunteer recognition

Exceptional Outcomes

“The measured support, capacity, and ability of an organization to provide patient-centered care that is safe, effective, timely, efficient, equitable, and continuously improved”

Exceptional Outcomes Goals

Clinical Outcomes

Safety

Culture

- 👤 **Non-punitive**
- 👤 **“Buy-in” from all Departments**
- 👤 **Open discussions about reported data**
- 👤 **Accountability**

Exceptional Outcomes Goals

Goal: Safety

- 🐼 UIHC will provide a continuously improving, safe environment for all patients at all times

Measurement

- 🐼 Achieve high ranking in AMCs in the nation with regards to patient safety measures
- 🐼 Utilize an evidence-based approach internally reduce errors

Strategic Themes

- 🐼 Emphasize ongoing patient and staff safety
- 🐼 Clinical research in patient safety
- 🐼 Appropriate information systems for patient safety
- 🐼 Pro-active involvement in development of publicly reported data systems

Exceptional Outcomes Goals (continued)

Goal: Clinical Outcomes

- 🎯 **UIHC will use a continuous improvement process to achieve exceptional clinical outcomes**

Measurement

- 🎯 **Achieve high rankings in select publicly available outcomes measurement programs**
- 🎯 **Show consistent and continual improvement with selected internal measures**

Strategic Themes

- 🎯 **Integrate public measures reporting**
- 🎯 **System transformation with supplemental outcome measures**
- 🎯 **Accountability for improvement**
- 🎯 **Provide information technology support**
- 🎯 **Clinical pathways compliance**
- 🎯 **Pay for performance initiatives**
- 🎯 **Participate and influence agenda at state and national level**

Strategic Support Goal

Goal: Strategic Support

- Based on sound business principles and decision-making approaches, provide the support services necessary to effectively and efficiently implement strategies and meet UIHC's 2010 goals

Measurement

- Achieve goals in Innovative Care, Excellent Service and Exceptional Outcomes

Strategic Themes

- Marketing
- Facilities
- Information technology
- Human Resources
- Financial

FY 2006 Budget Review

University of Iowa Hospitals and Clinics

**Board of Regents, State of Iowa
as the Board of Trustees**

June 14, 2005

Agenda

- Brief review of key operating indicators for FY 2005
- Review budget issues for FY 2006
- Approval of gross charge increase for FY 2006

Six Year Summary of Operations

	FY2001	FY2002	FY2003	FY2004	Nine Months Ended March 31, 2005	Projected FY2005	Budgeted FY2006
**Acute Admissions	23,286	23,388	24,104	25,384	18,712	25,209	25,839
**Length of Stay	7.51	7.59	7.24	6.94	7.07	7.11	6.50
Surgical Cases	18,986	19,814	20,269	20,644	15,370	20,582	21,096
Clinic Visits	592,752	622,584	631,443	669,045	497,187	679,753	693,348
Market Share	6.1%	6.2%	6.7%	7.0%	N/A	N/A	N/A
Net Patient Revenue	\$506.9M	\$525.2M	\$547.2M	\$591.7M	\$464.5M	\$624.0M	\$657.3M
EBDITA	\$62.0M	\$51.3M	\$50.0M	\$51.5M	\$50.7M	\$64.9M	\$70.0M
EBDITA Margin	11.3%	9%	8.3%	8%	10.1%	9.6%	9.9%
Operating Income	\$20.0M	\$11.4M	\$8.5M	\$10.2M	\$14.6M	\$20.2M	\$21.4M
Operating Margin	3.6%	2.0%	1.4%	1.6%	2.9%	3.0%	3.0%
Case Mix Index*							
All Acute Inpatients	1.5712	1.5866	1.6272	1.5950	1.6279	1.6239	1.6239
Medicare Inpatients	1.7778	1.7602	1.8182	1.7822	1.8584	1.8502	1.8502

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

** All years presented exclude newborn nursery utilization.

Aa Bond Rating Key Financial Ratio Comparison

	Audited UIHC FY 2001	Audited UIHC FY 2002	Audited UIHC FY 2003	Audited UIHC FY 2004	UIHC March 05 YTD	UIHC FY 05 Projected	UIHC FY 06 Budgeted	Median Moody's Aa Rating*
Days Cash on Hand	244.1	239.4	221.1	214.4	224.5	218.0	232.3**	224.9
EBDITA Margin	11.3%	9.0%	8.3%	8.0%	10.1%	9.6%	9.9%	11.2%
Operating Margin	3.6%	2.0%	1.4%	1.6%	2.9%	3.0%	3.0%	3.3%
Debt to Capitalization Percent	2.1%	1.6%	4.3%	4.0%	3.7%	3.6%	10.2%	33.6%
Days in Accounts Receivable	69.1	67.3	101.3	71.8	60.7	62.0	58.0	55.9
Average Age of Plant	7.9	8.9	9.0	9.7	9.2	9.2	9.2	9.0

* Data is compiled from Moody's Investors Service publication "Not for Profit Healthcare: 2004 Outlook and Medians."

** Assumes issuance of \$75.0 million of debt in FY 2006

FY 2006 Operating Budget Assumptions

Revenues

- Volume growth
 - Inpatient admissions 2.5% increase
 - Outpatient visits 2.0% increase
- Gross charge increase of 9.5%
- Net revenue growth per unit of service 3.0%
- Reduction in length of stay ½ day
- Bad debts @ 2.5% of gross charges (\$35.8 million on \$1.4 billion charge base)
- Overall stable payor mix
- Wellmark in-network for first six months (assumed in-network for last six months) with July 1 rate update
- Iowa Care Act assumed FY 2006 payments equal to current year appropriation

FY 2006 Operating Budget Assumptions

Operating Expenses

- Salary base rate increases range from 2.0% - 4.35%
 - SEIU 4.35%, AFSCME 4.5%
 - Average “all-in” increase of 4.6% including market adjustments, overtime, differentials and other adjustments
 - Fringe benefit rates average 33.3%
 - Recruitment and retention of quality patient care staff
- Agency Expense - No increase in agency utilization
- Average Length of Stay decrease from 7.1 to 6.5 days
 - Results in reduction of 15,762 patient days, \$28.9 million reduction in charges, \$3.5 million reduction in net revenue, and \$7.3 million in expense savings for net benefit of \$3.8 million
- Supply Chain initiatives expected to hold increases in medical supplies and drugs to 4% and 8%, respectively versus inflationary increases of 6% for supplies and 11% for drugs
- Utilities increase of 7.5%, including new space
- UI administrative services increase 4.5%

FY 2006 Operating Budget Assumptions

Income Statement

- Earnings Before Depreciation, Interest, Taxes, and Amortization (EBDITA) margin budgeted at 9.9% or EBDITA of \$70.0 million.
- Operating margin budgeted at 3.0%, or operating income of \$21.4 million. This is slightly below the Moody's Aa median of 3.3%. The margin is required to generate future capital capacity.

Balance Sheet

- Net days in patient accounts receivable at 58 days, reflective of improved revenue cycle performance and payor mix changes.
- Assumes issuing \$75 million of revenue bonds, which will bring the debt to capitalization ratio to 10.2%, significantly below the Aa median of 33.6%.
- Days cash on hand at year-end projected to be 232 days with Aa median of 225 days (assumes the issue of \$75 million in revenue bonds, days cash on hand 189 if bonds are not issued).

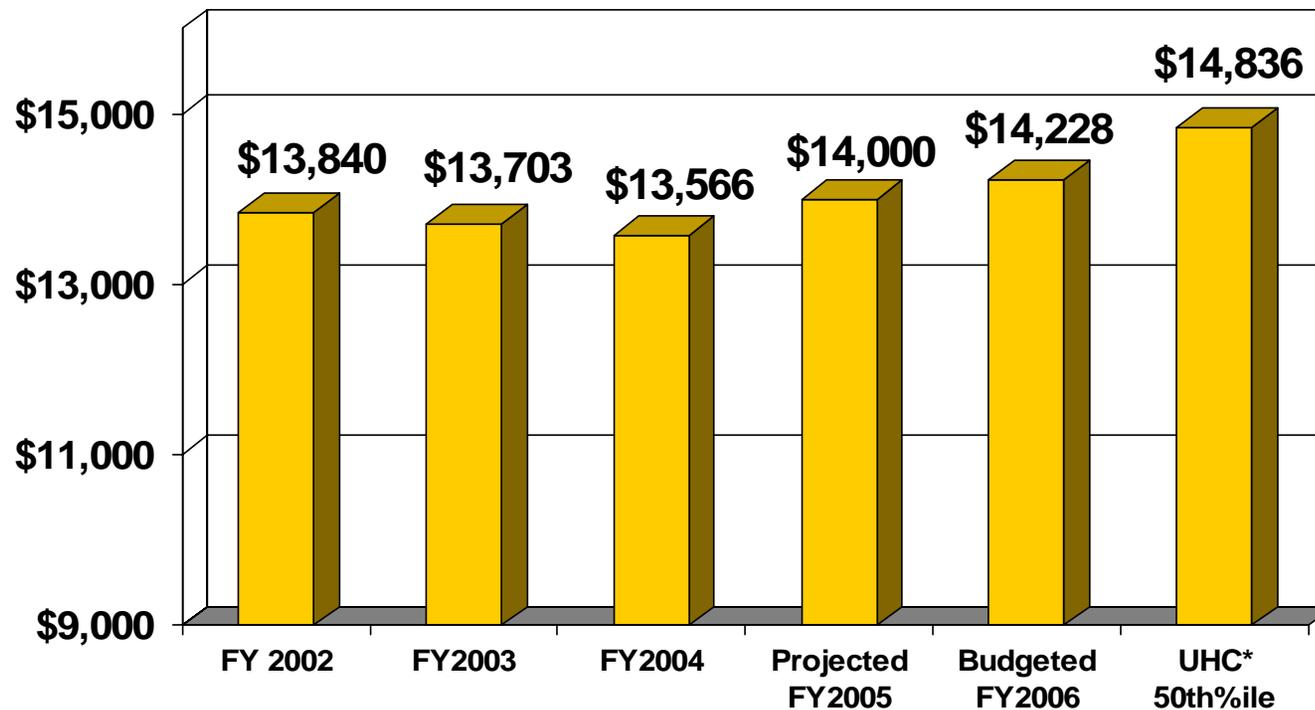
FY 2006 Operating Budget Assumptions

The Need for Capital Reserves

- Working capital requirements- average daily operating expenses of \$1.75 million projected for FY 2006
- Maintaining a strong bond credit rating gives UIHC access to lower cost capital for future expansion needs
- Reserves provide a protection from down-side economic risks inherent in the healthcare industry
- Capital structure can be a powerful competitive advantage. The use of variable rate debt and careful balance sheet management can generate cost of capital savings and investment earnings which over a 10-year planning period can make a significant contribution toward the funding of the academic medical center mission.

Patient Revenues per Unit of Service

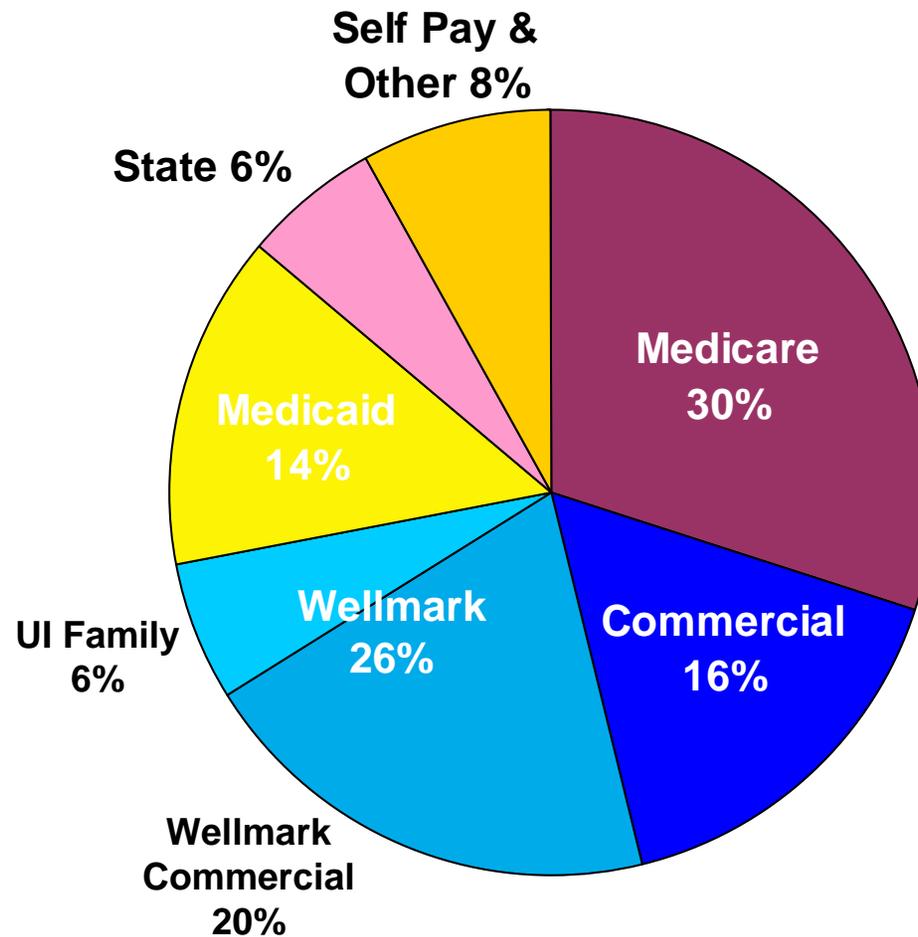
Net Patient Revenue** per Adjusted Discharge



* Benchmark is the 50th percentile of the University Health System Consortium for the two quarters ending December 2004.

** Net paying patient revenue plus Chapter 255 state indigent patient care program appropriation receipts.

Gross Patient Charges By Primary Payor



Year to Date March, 2005
Includes Inpatient and Outpatient Services

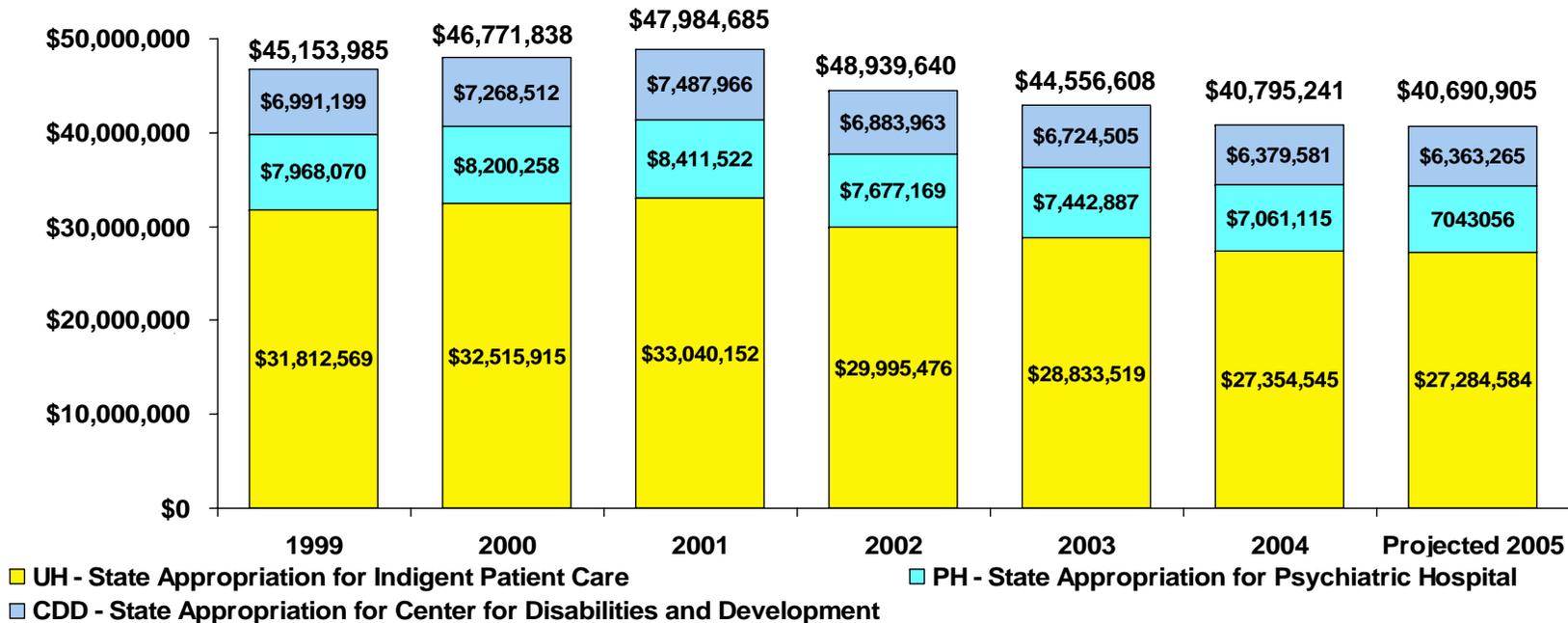
FY 2006 Revenue Plan

Cash Acceleration and Revenue Cycle Redesign

- All Projects Currently Underway
- Continued Development of “Pre-Access Unit”
 - Bed Placement Center opened to facilitate bed transfers and referrals
 - Insurance Verification/ Authorization
 - Addition of Health Benefit Advisors
 - Upfront Cash Collections
- Documentation Accuracy/ Coding with 3M
- Review of Charge Master
- Development of Revenue Integrity Department
 - Managed Care Underpayments
- Focused efforts in Managed Care Contracting Strategy

HISTORICAL STATE APPROPRIATIONS Actual Dollars - Combined Hospital Units

PATIENTS SERVED						
1999	2000	2001	2002	2003	2004	2005 (proj)
34,173	32,703	33,743	34,601	37,559	39,246	39,496



Transition from State Appropriation to Iowa Care Act

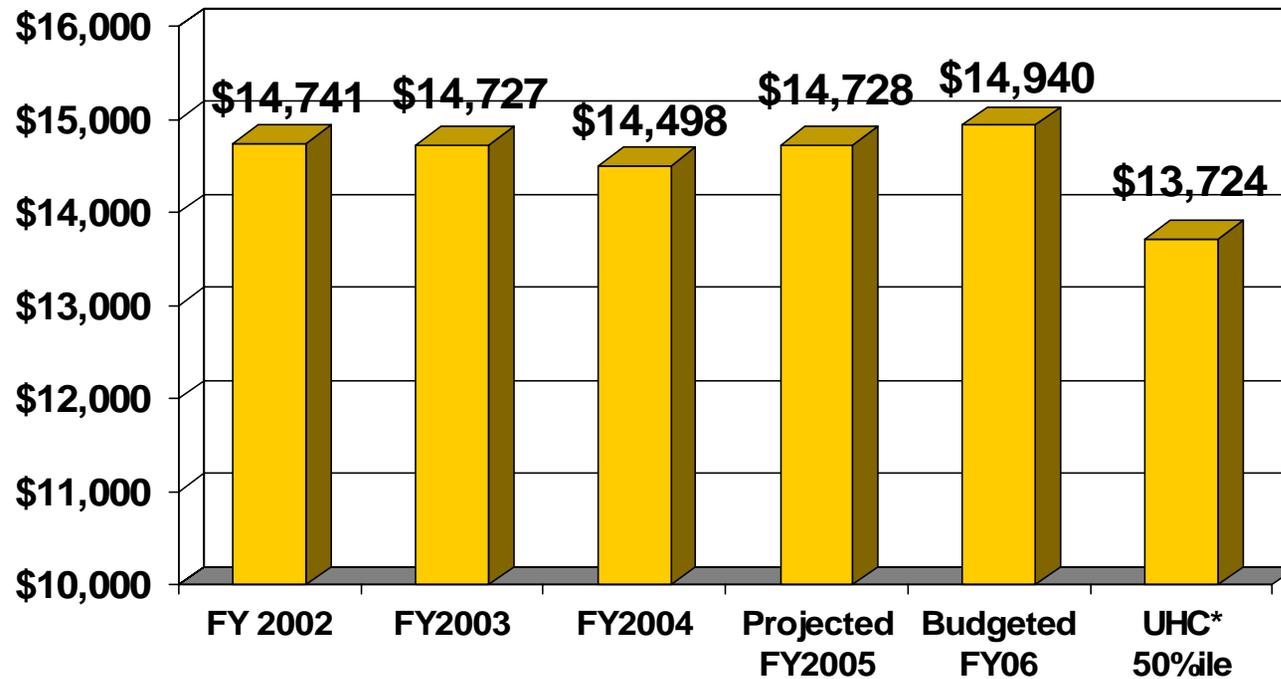
- Total dollars available for newly expanded population equivalent to FY 2005 Indigent Care Appropriation of \$27.3 million.
- Eligible population 200% of the Federal Poverty Limit- up to 147,000 Iowans.
- Service providers limited to UIHC, Broadlawns and the State's mental health institutions.
- Difficult to project number of patients that will seek care due to the addition of a premium requirement.
- Budget assumes that approximately the same numbers of patients (approx \$88 million in charges) will seek care at approximately the same costs (approx \$47 million)- enrollment or service coverage will be adjusted by DHS when funding is projected to be exhausted. There is currently no funding source for the other state institution patients including the department of corrections.
- Services available will not be as comprehensive as previously provided under the Indigent Care Program- does not include outpatient pharmaceuticals.

Components of other operating revenue

Gifts & Grants	\$11.8 M
Food Sales	7.1 M
External Drug Sales	1.1 M
Other External Sales	1.1 M
Purchased Services – Related Party	19.7 M
Total	\$40.8 M

Operating Cost per Unit of Service

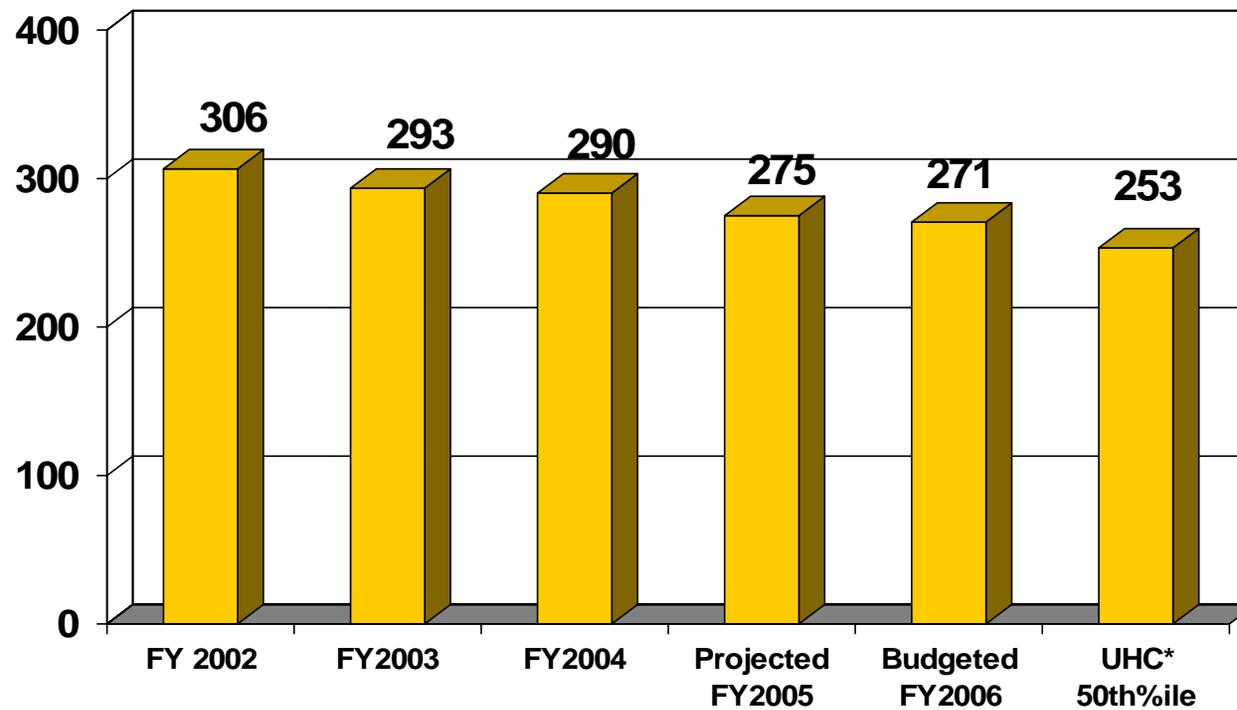
Cost per Adjusted Discharge



* Benchmark is the 50th percentile of the University Health System Consortium for the two quarters ended December 2004.

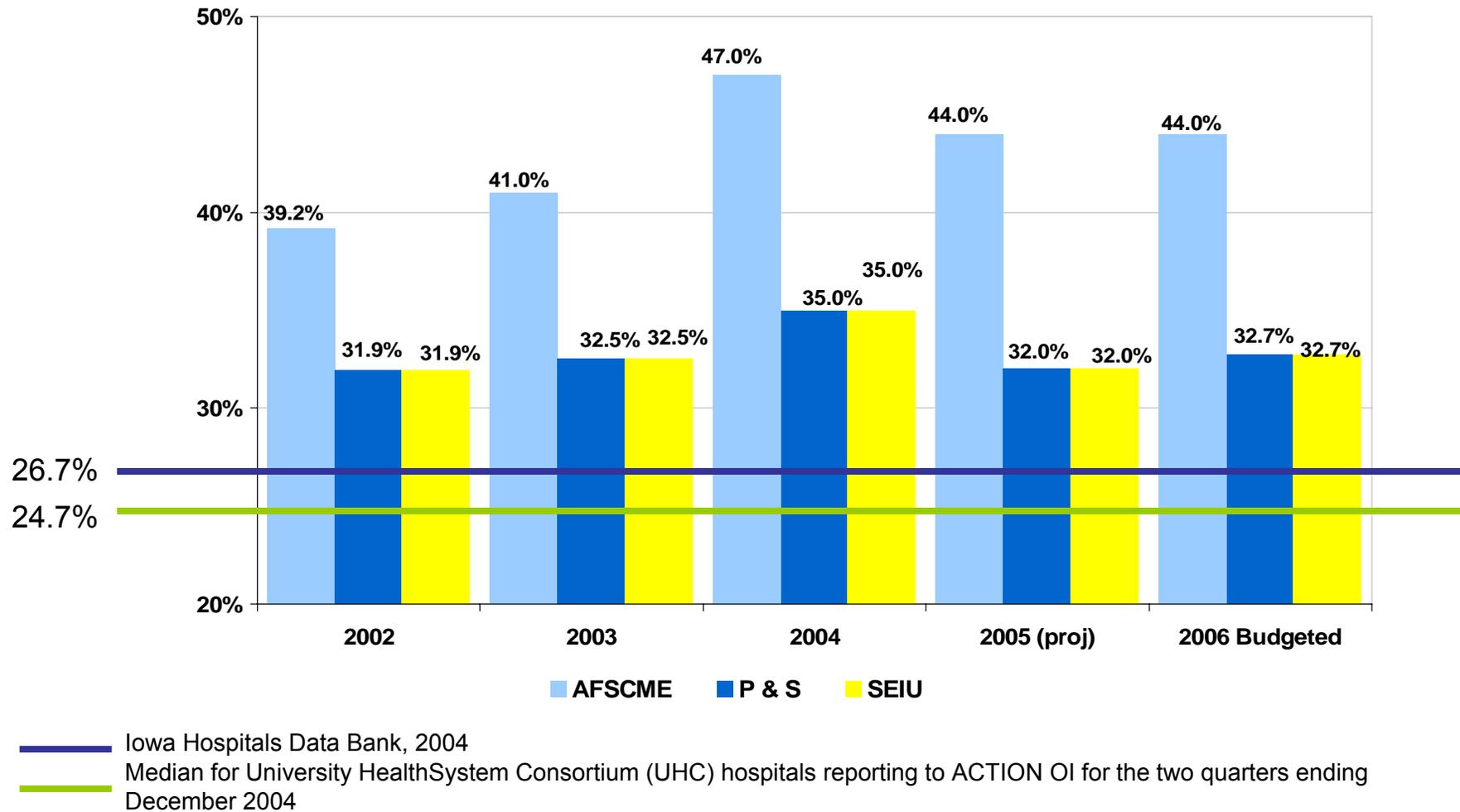
Operating Costs per Unit of Service

Hours Paid per Adjusted Discharge



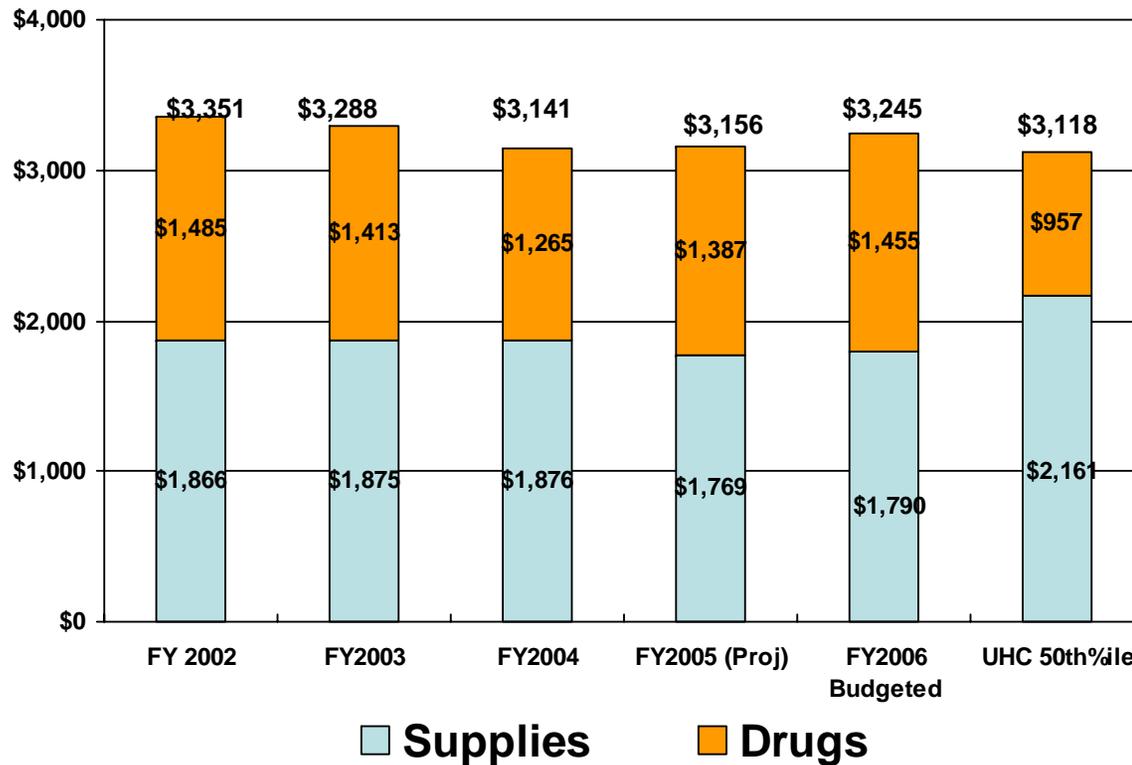
* Benchmark is the 50th percentile of the University Health System Consortium for the two quarters ending December 2004.

Aggregate Fringe Benefit Costs as a Percent of Salary Dollar



Operating Costs per Unit of Service

Supply Cost per Adjusted Discharge



* Benchmark is the 50th percentile of the University Health System Consortium for the three quarters ending Sept 2004.

FY 2006 Alignment of Strategic and Operating Plans

Innovative Care

- Growth in Clinical Service Priorities- Commitments for new program development
 - Cardiovascular
 - Neurosciences
 - Children's Hospital of Iowa
 - Oncology
- Development of interdisciplinary and collaborative care models
 - Hospital-based Medical Directorships that will have specific expectations and accountabilities.
- Investment in information technology (Operating room, ICU, electronic medication administration record, etc.)
- Care Coordinators/Navigators
 - Peer comparison of physicians within clinical specialties.
 - Acceptance and adherence to evidence-based clinical pathways.
- Review of Purchase Services Agreement between UIHC and CCOM with focus on key performance indicators and accountability.

FY 2006 Alignment of Strategic and Operating Plans

Excellent Service

- Patient and Family Centered Care
 - Adult Patient/ Family Advisory Board
 - Pediatric Patient/ Family Advisory Board
 - “Concierge Service”
 - Integrated Call Center
- Streamline Patient Throughput
 - Developing Office of Operations Improvement
 - Expansion of “Hospitalists” program
- Increasing throughput in all clinical areas with focused efforts on the Operating Rooms and Radiology.
- Expansion of Pre-Access Unit
- Referring Physician Satisfaction

FY 2006 Alignment of Strategic and Operating Plans

Excellent Service

- Staff Engagement
 - Human Resources Engagement Survey
 - Institutional Leadership Development Program
 - Clinical Nurse Leadership Development Academy
 - Nursing Clinical Education Center

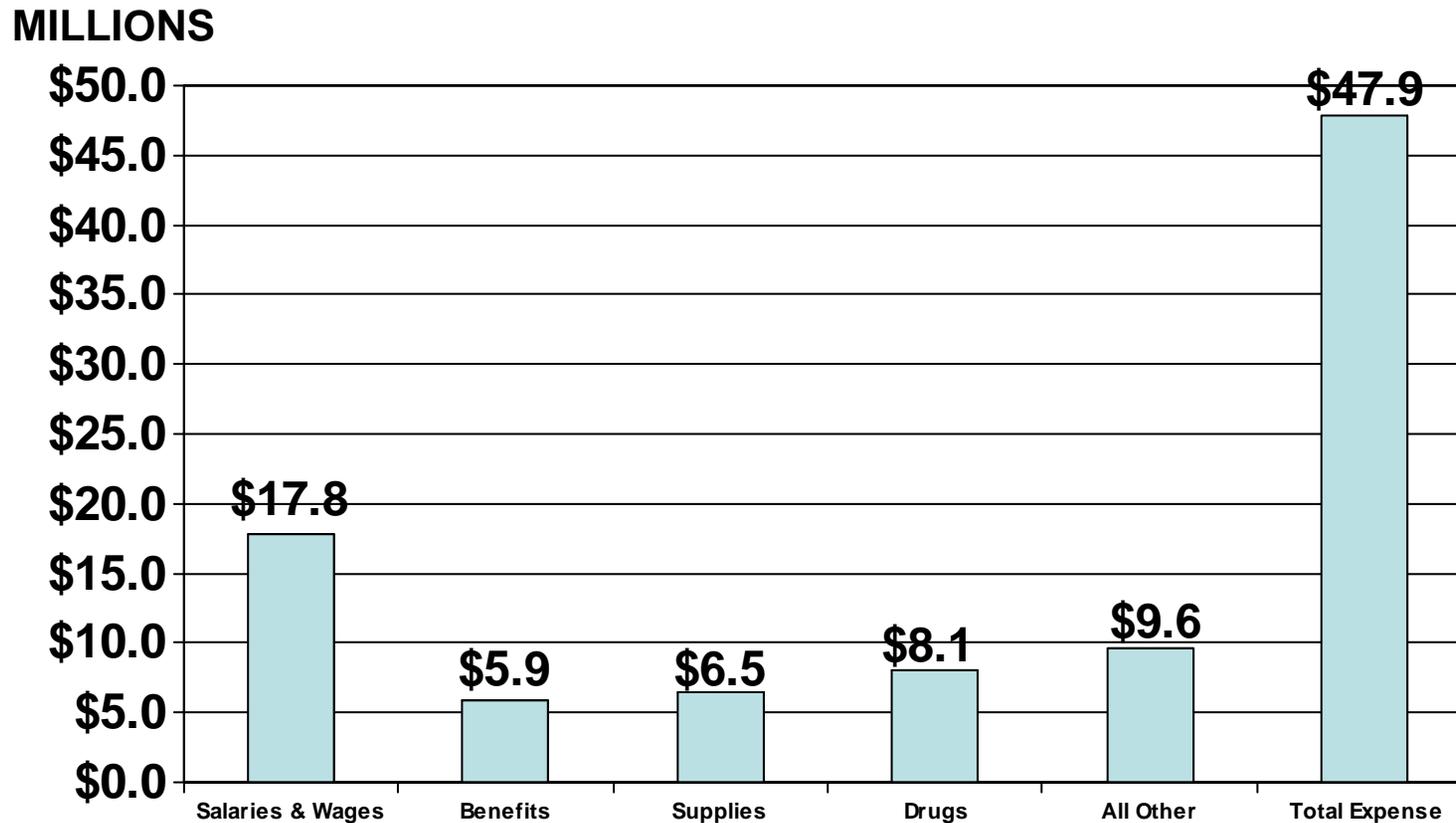
FY 2006 Alignment of Strategic and Operating Plans

Exceptional Outcomes

- JCAHO Readiness
- Magnet Readiness
- Bar code scanning of blood products
- New isolation gowns
- Electronic Medication Administration System
- Participation in IHA Quality Initiative

Operating Costs Without Efficiency Initiatives

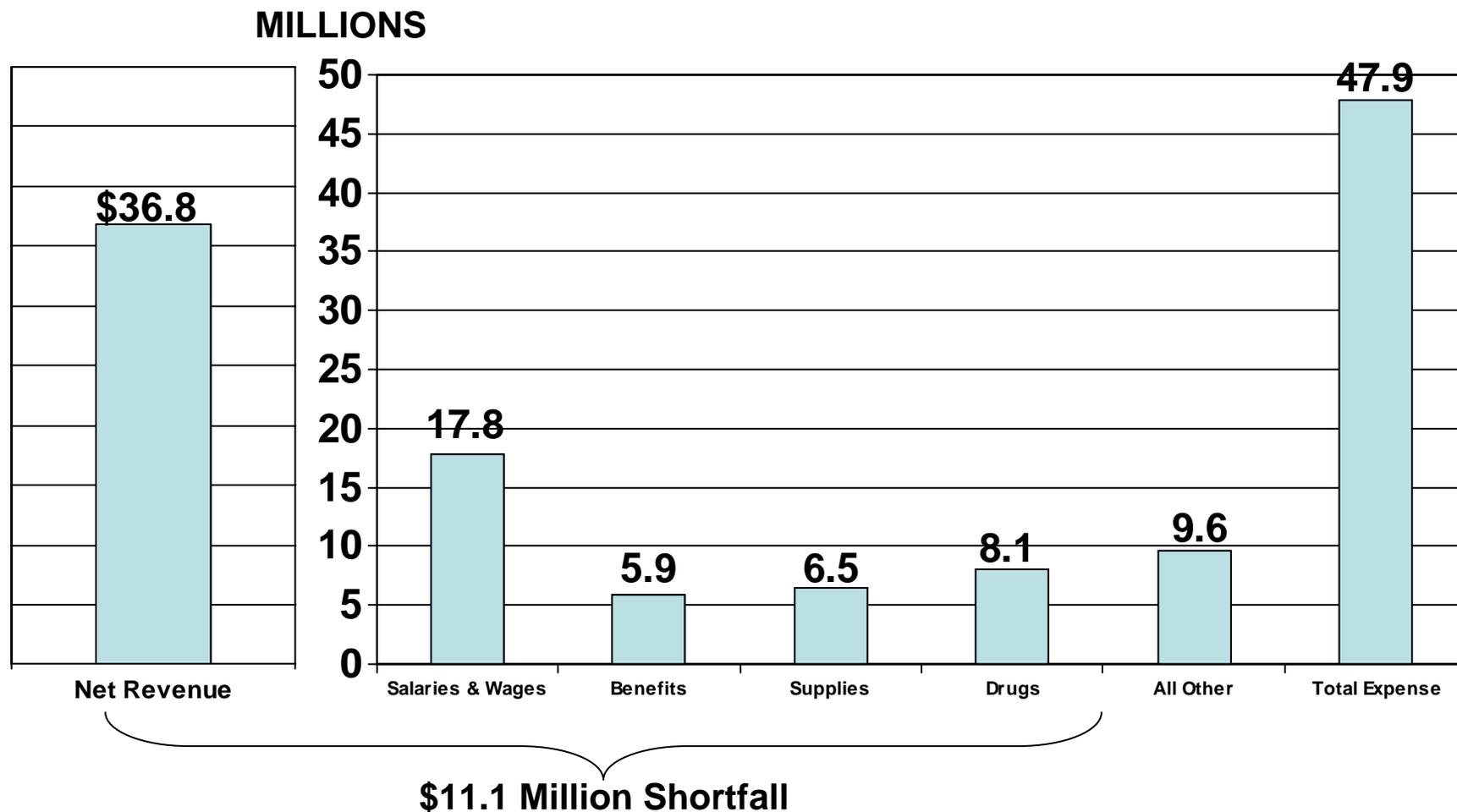
Growth in Budget of 2006 vs. Projected 2005



*Assumes no length of stay reduction, no productivity improvement, 6% supply inflation, 11% drug inflation

Operating Costs Without Efficiency Initiatives

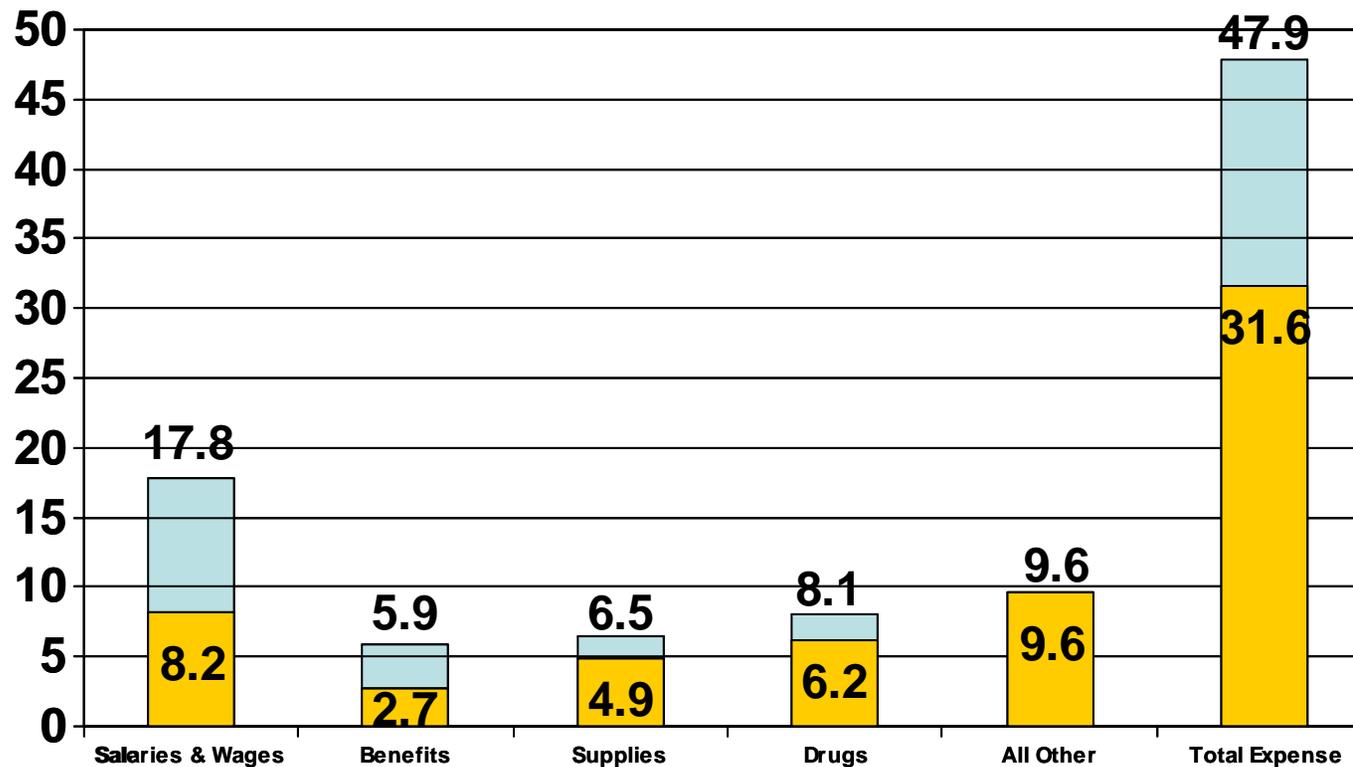
Growth in Budget of 2006 vs. Projected 2005



Operating Costs With Efficiency Initiatives

Growth in Budget of 2006 vs. Projected 2005

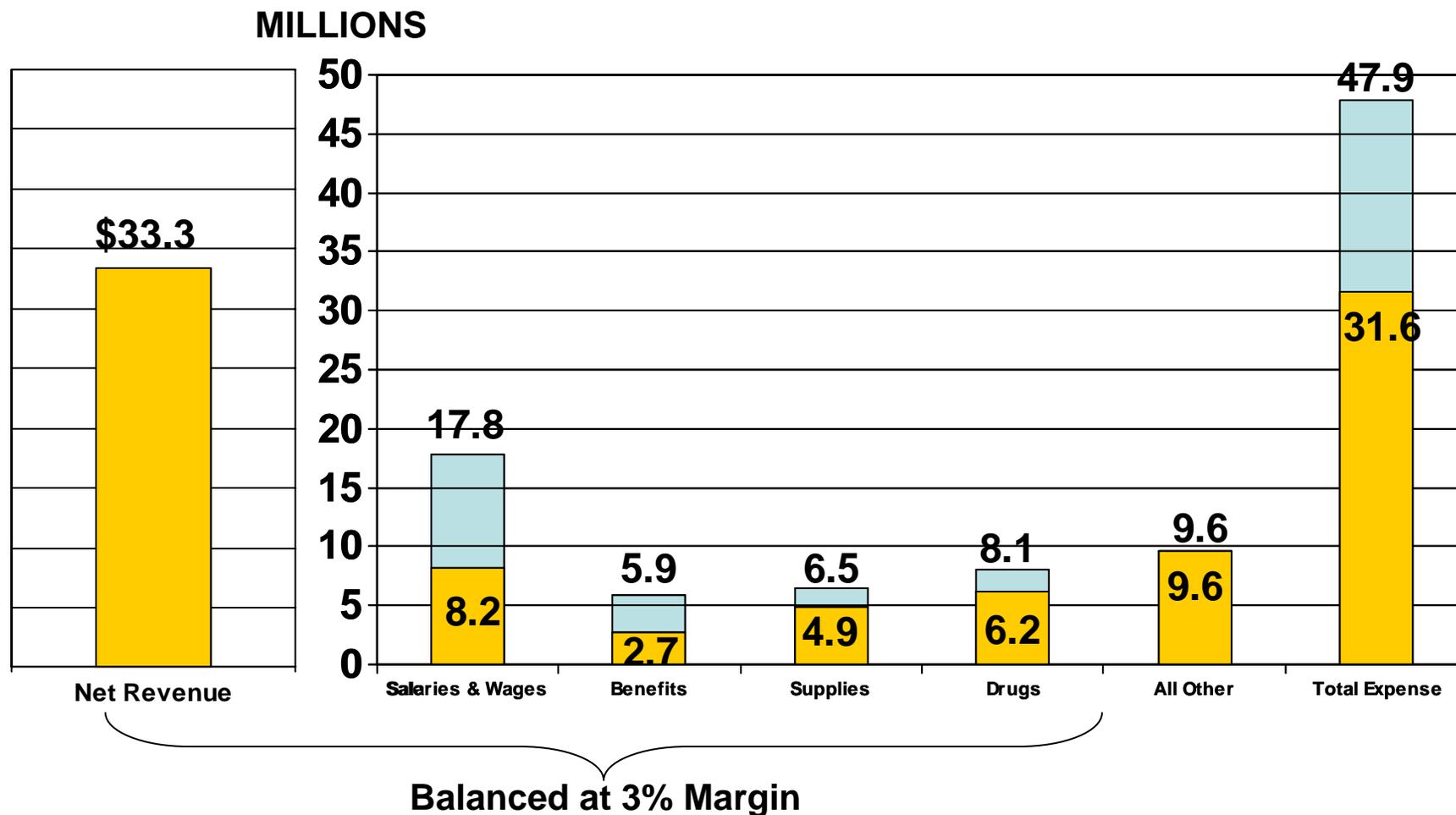
MILLIONS



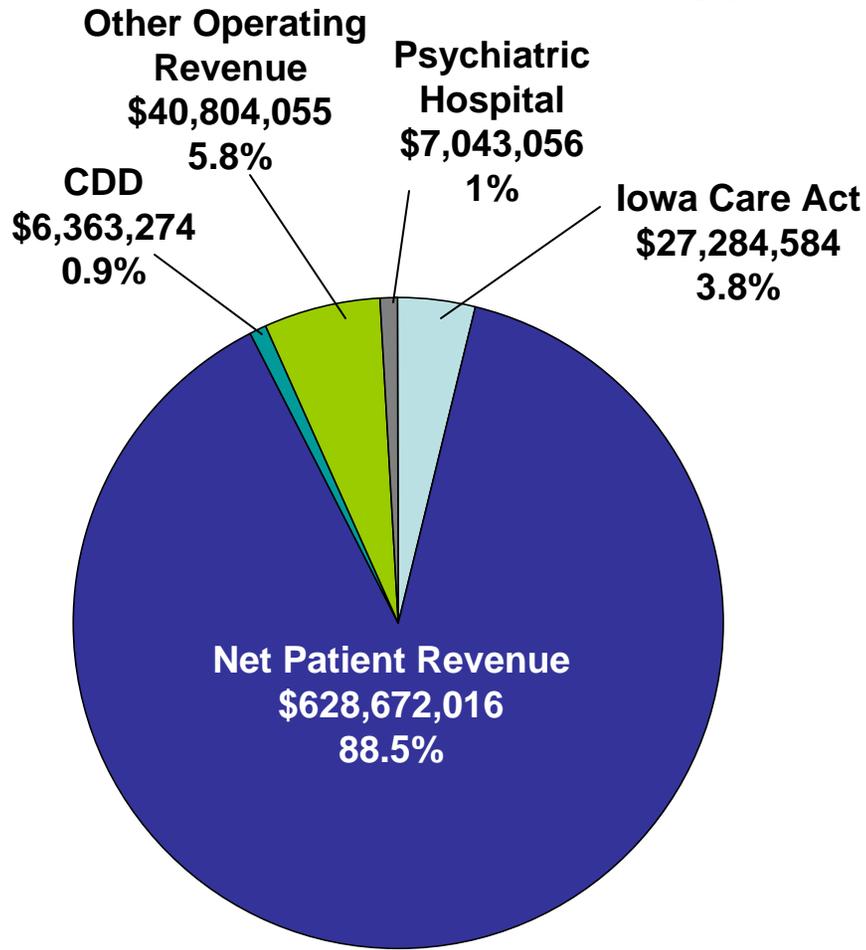
*Assumes length of stay reduction of .5 day, 2% average productivity improvement, limit supply inflation to 4.0%, limit drug cost inflation to 8.0%

Operating Costs With Efficiency Initiatives

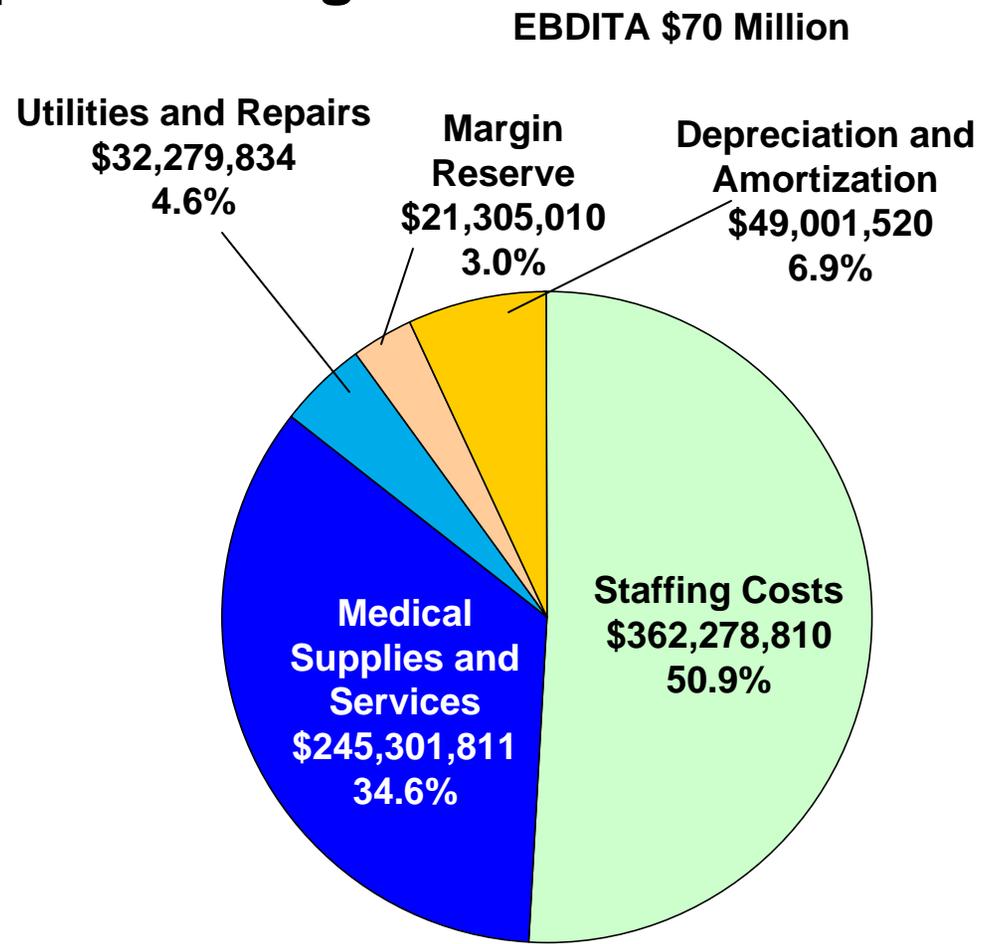
Growth in Budget of 2006 vs. Projected 2005



Combined Hospitals Sources and Uses of FY06 Proposed Budget

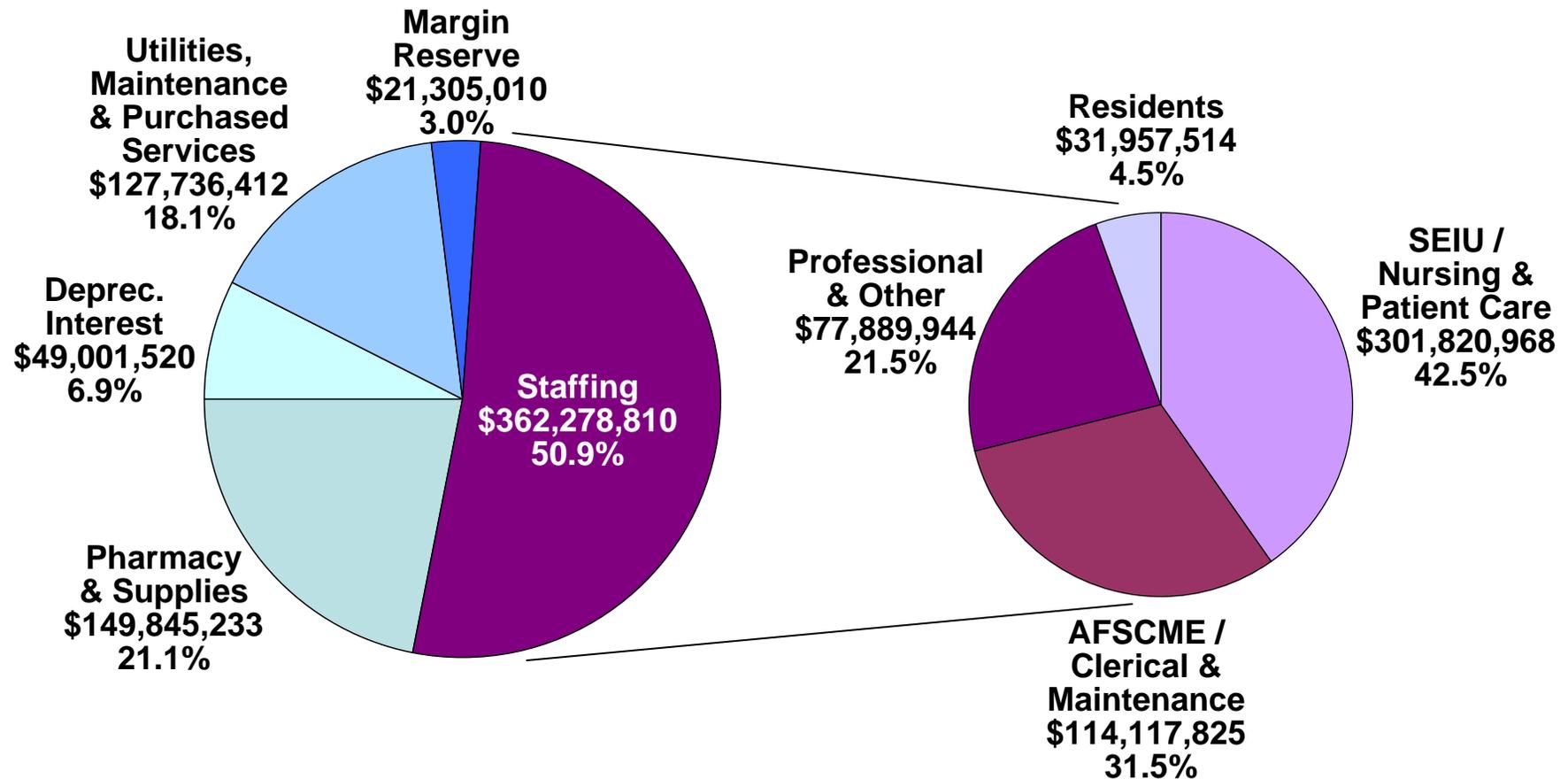


TOTAL = \$710,166,985



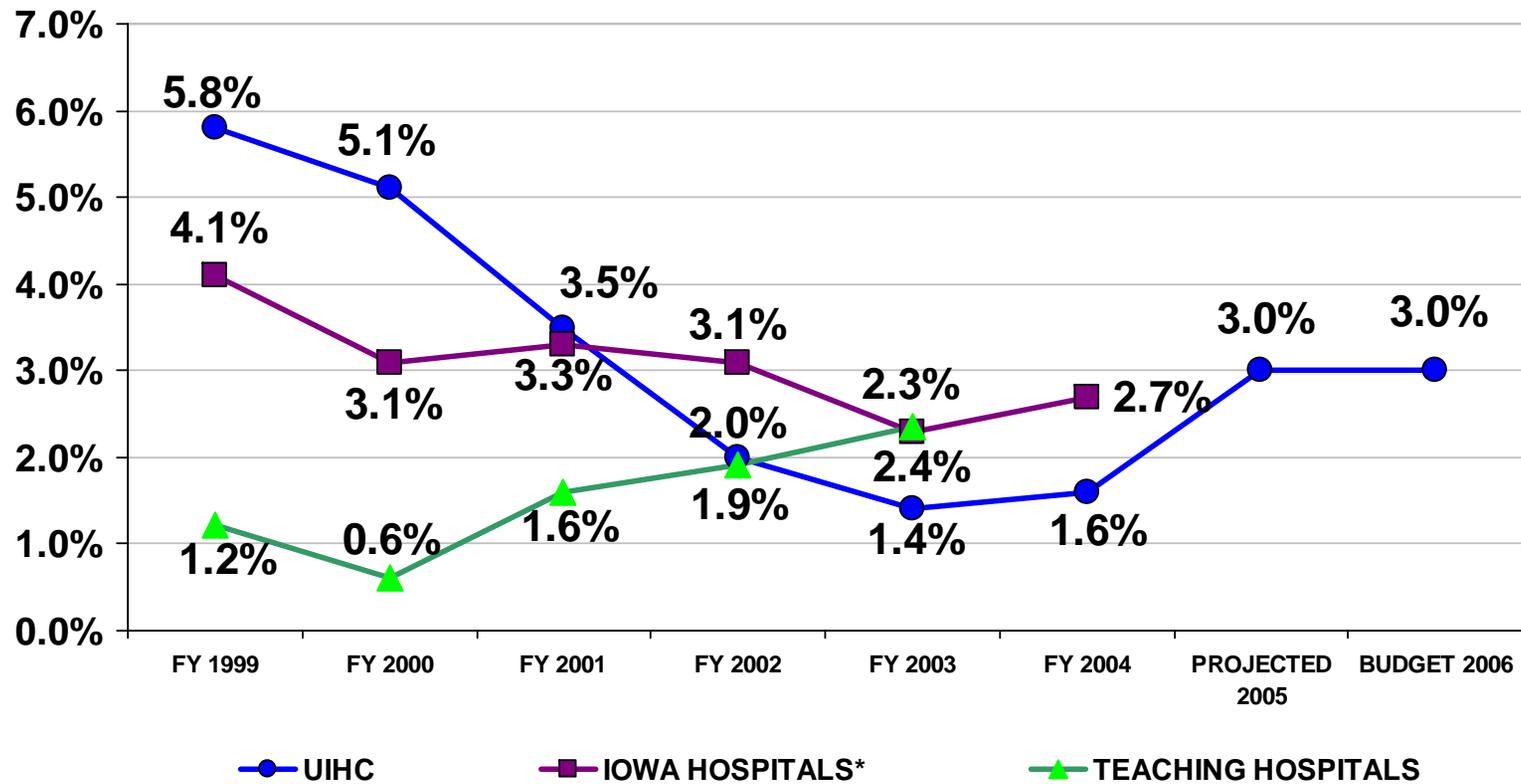
TOTAL = \$710,166,985

UIHC Cost Structure FY 2006 Proposed Budget



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

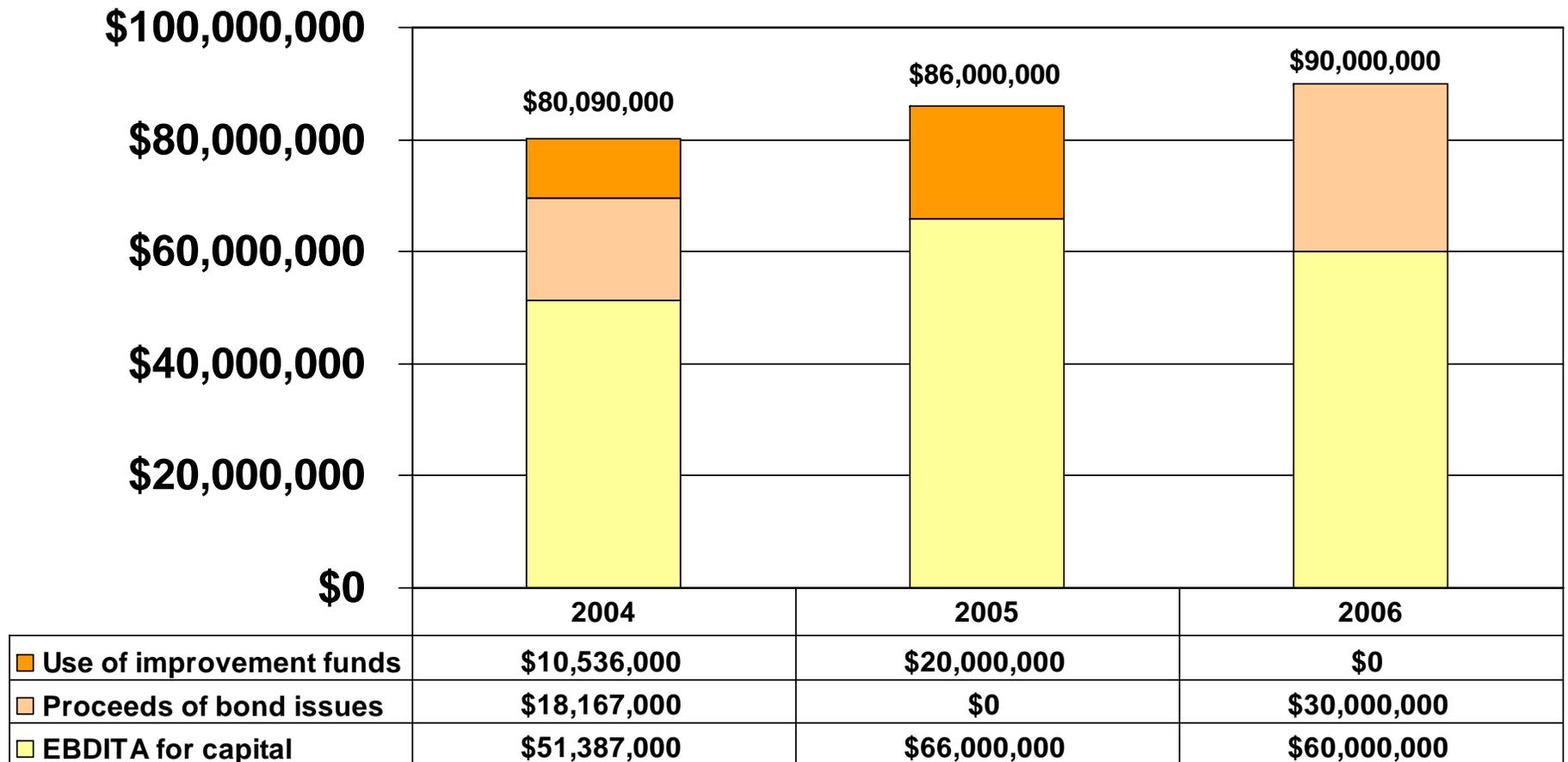
Operating Margin Comparisons



* Iowa Hospital Association Annual Report and DATABANK reports.

**Annual COTH Survey of Hospitals' Financial and General Operating Data.

University of Iowa Hospitals and Clinics FY 2006 Preliminary Capital Expenditure Budget



* Assumes issuance of \$75 million of revenue bonds in FY 2006, \$45 million to be spent in FY 2007

FY 2006 Alignment of Strategic and Capital Plans

Innovative Care

- Growth in Clinical Service Priorities
 - Ambulatory Surgery Center
 - Emergency Treatment Center
 - Cardiology- Heart Clinic/ EP Lab/ Recovery Renovation
 - Neurosciences- Neurosurgery Clinic Renovation
 - Children's Hospital of Iowa- Pediatric Inpatient Unit, Pediatric Cath Lab
 - Oncology- Cancer Center Construction
 - Orthopedics- Sports Medicine Center

Excellent Service

- Patient and Visitor Service Center Construction

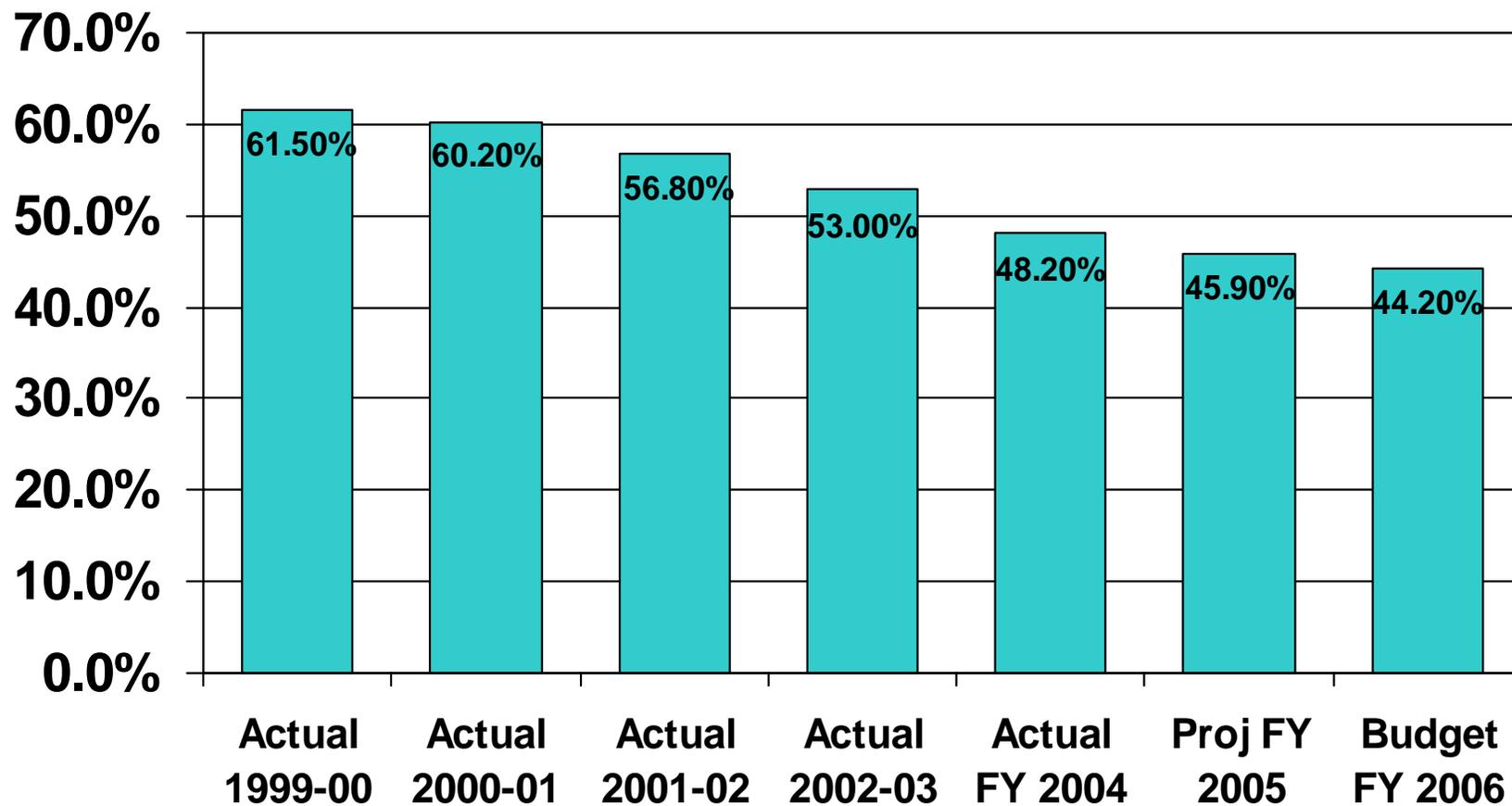
Exceptional Outcomes

- Clinical Information Systems

Why 9.5% rate increase?

- 9.5% rate increase translates to a 2.28% actual increase in net patient revenue.
- UIHC continues to lag academic medical center peers and historical state-wide rate increases.
- University HealthSystem Consortium members (UHC) anticipate rate increases in 5-15% range, averaging 8%.
- Maintaining charge structure comparable with peer institutions impacts Medicare rates in future years.
- Absent appropriate charge increases, UIHC will not be able to achieve the budgeted growth in net revenue per adjusted admission of 3%.

Net Paying Patient Revenue as a Percent of Gross Patient Charges



How Price Increases Effects Payors

- Medicare
 - Charges affect DRG and APC rate setting
 - Charges affect new technology rate setting
 - Outlier thresholds and payments are based on charges
 - Coinsurance up to policy maximum
- Medicaid
 - Charges affect DRG and APC rate setting
 - Outlier thresholds and payments are based on charges
- Managed Care
 - Payors with outpatient percent of charge payment provisions
 - Stop-loss thresholds and payments
 - Carve-out arrangements (i.e. high cost drugs, prothesis, new technology, etc)
 - Coinsurance up to policy maximum
- Commercial NonContracted
 - Payment based on charges
 - Coinsurance up to policy maximum
- Self Pay
 - Individuals not otherwise eligible for uncompensated care discount policy

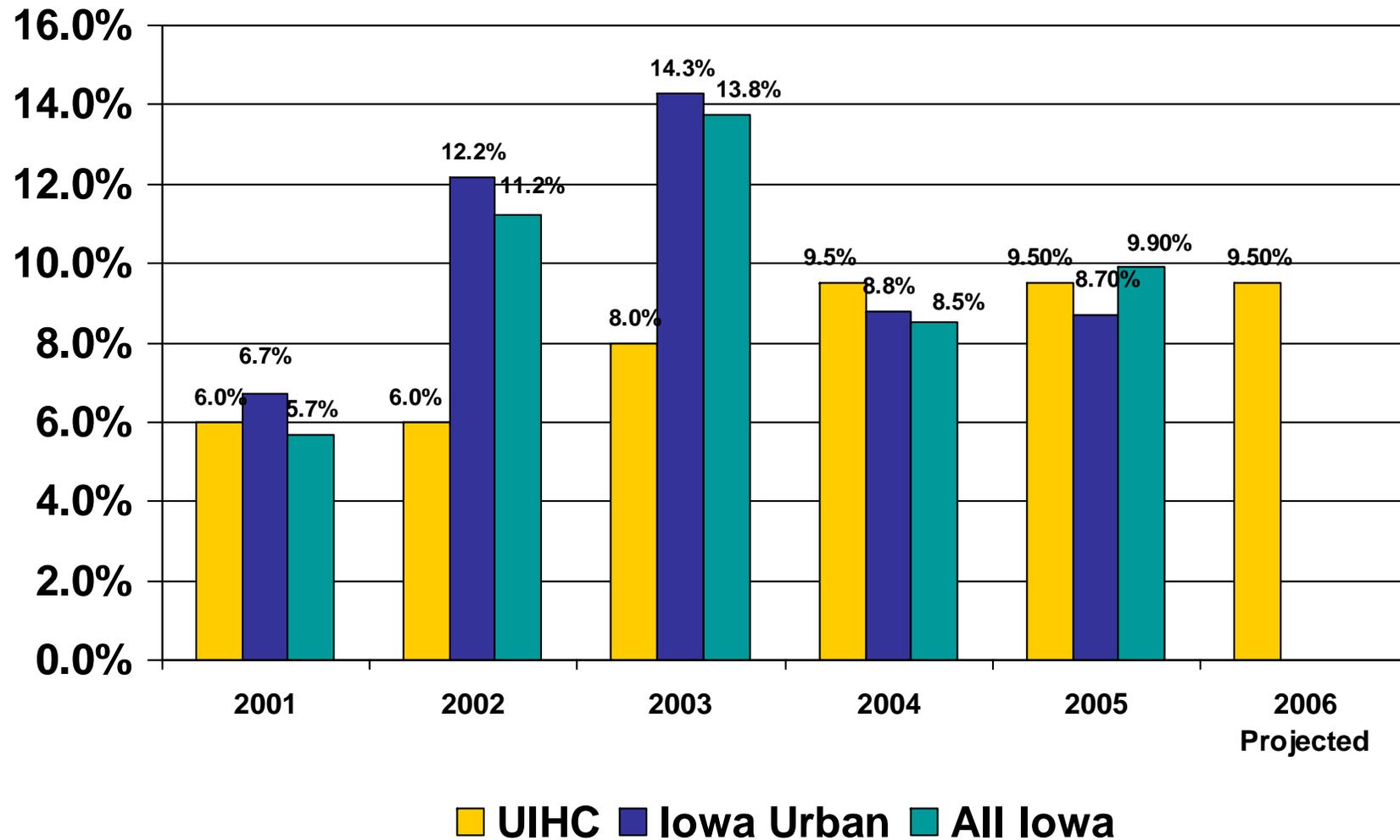
2005 UI Health Care Guidelines for Uncompensated Care Discount Percentages

Income % of Federal Poverty Guidelines								
Patient Balance	<150%		151-200%		201-250%		251-300%	
Discount Percentages								
> \$50,000	100%		80%		60%		40%	
\$40,000 - \$50,000	100%		80%		60%		35%	
\$30,000 - \$39,999	100%		75%		55%		30%	
\$20,000 - \$29,999	100%		70%		45%		25%	
\$10,000 - \$19,999	100%		60%		40%		20%	
\$ 5,000 - \$ 9,999	100%		55%		35%		15%	
\$ 2,500 - \$ 4,999	100%		50%		30%		10%	
\$ 0 - \$ 2,499	100%		45%		25%		5%	

FY2006 Budgeted Net Revenue Increases by Source

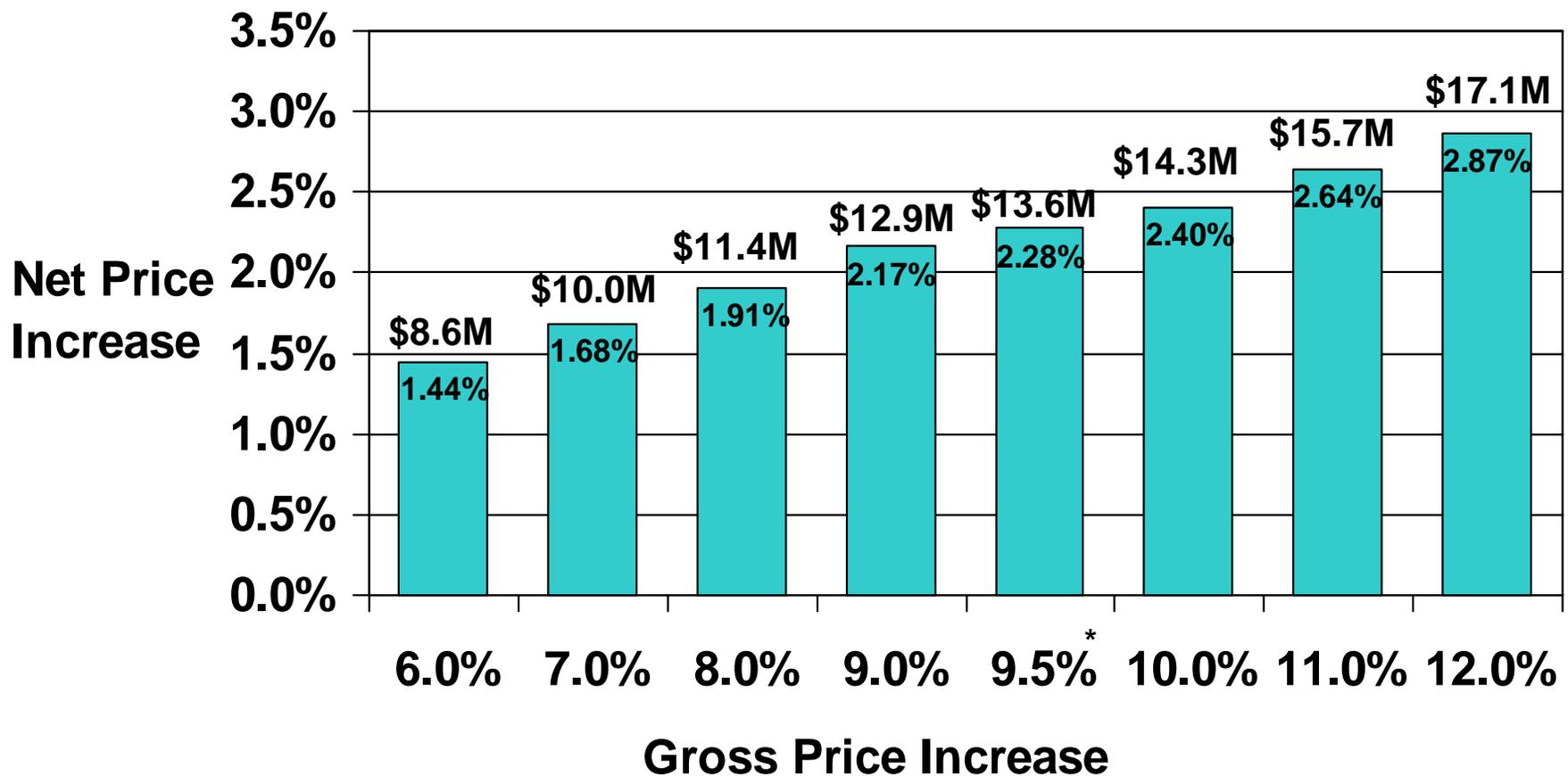
•	Volume Increase -	\$11.9M
•	Rate Increase – 9.5% of gross charges	
	– Managed Care and Commercial –	\$12.5M
	– Other Government Payor -	.4M
	– Self Pay -	.7M
	– Total related to rate increase	\$13.6M
•	Medicare -	\$4.3M
•	Medicaid	\$0.0 M
•	Commercial – Fee Schedule	\$3.5M
	Total -	\$33.3M

Aggregate Rate Increase History



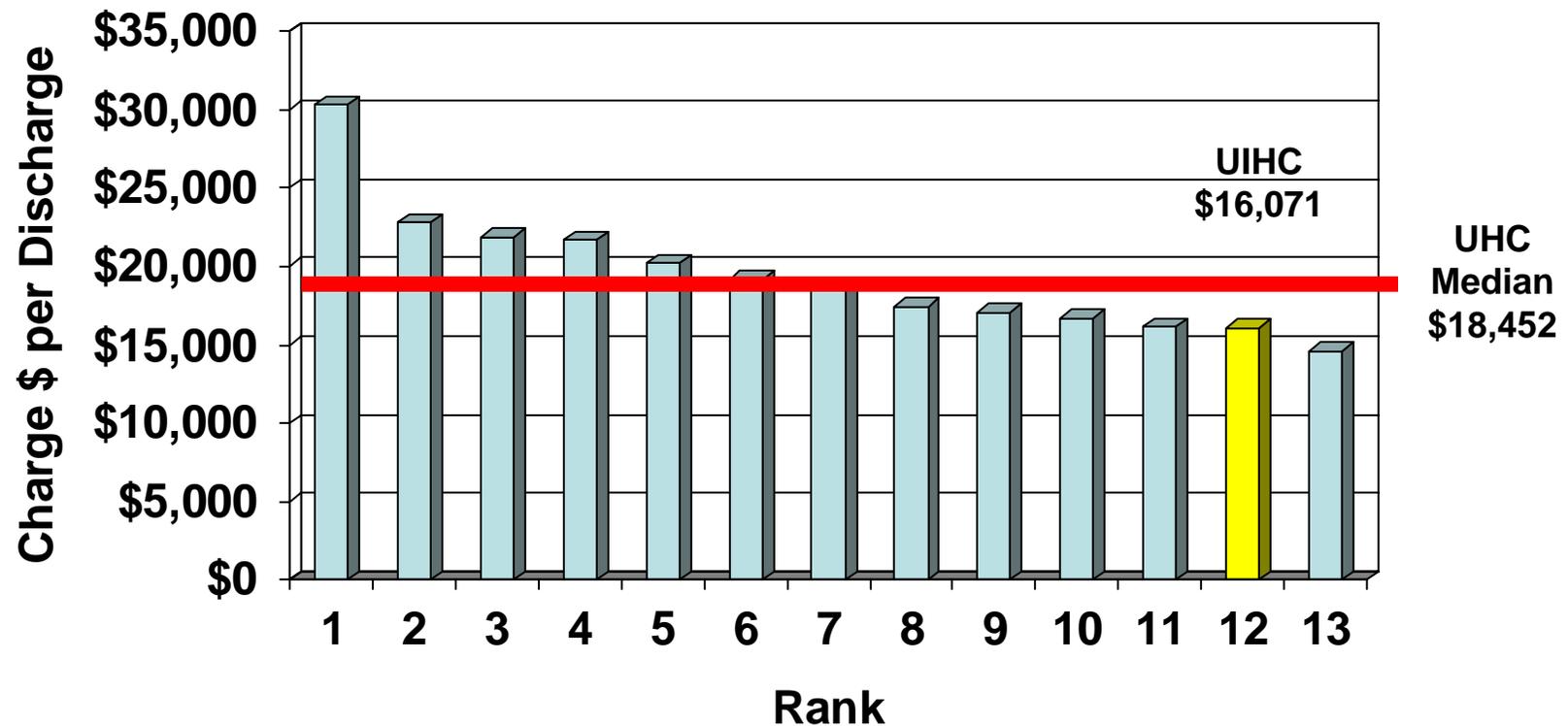
Source: Iowa Hospital Association Databank based on average inpatient charges per patient day

Projected Percentage Net Price Increases at Alternate Gross Price Increases



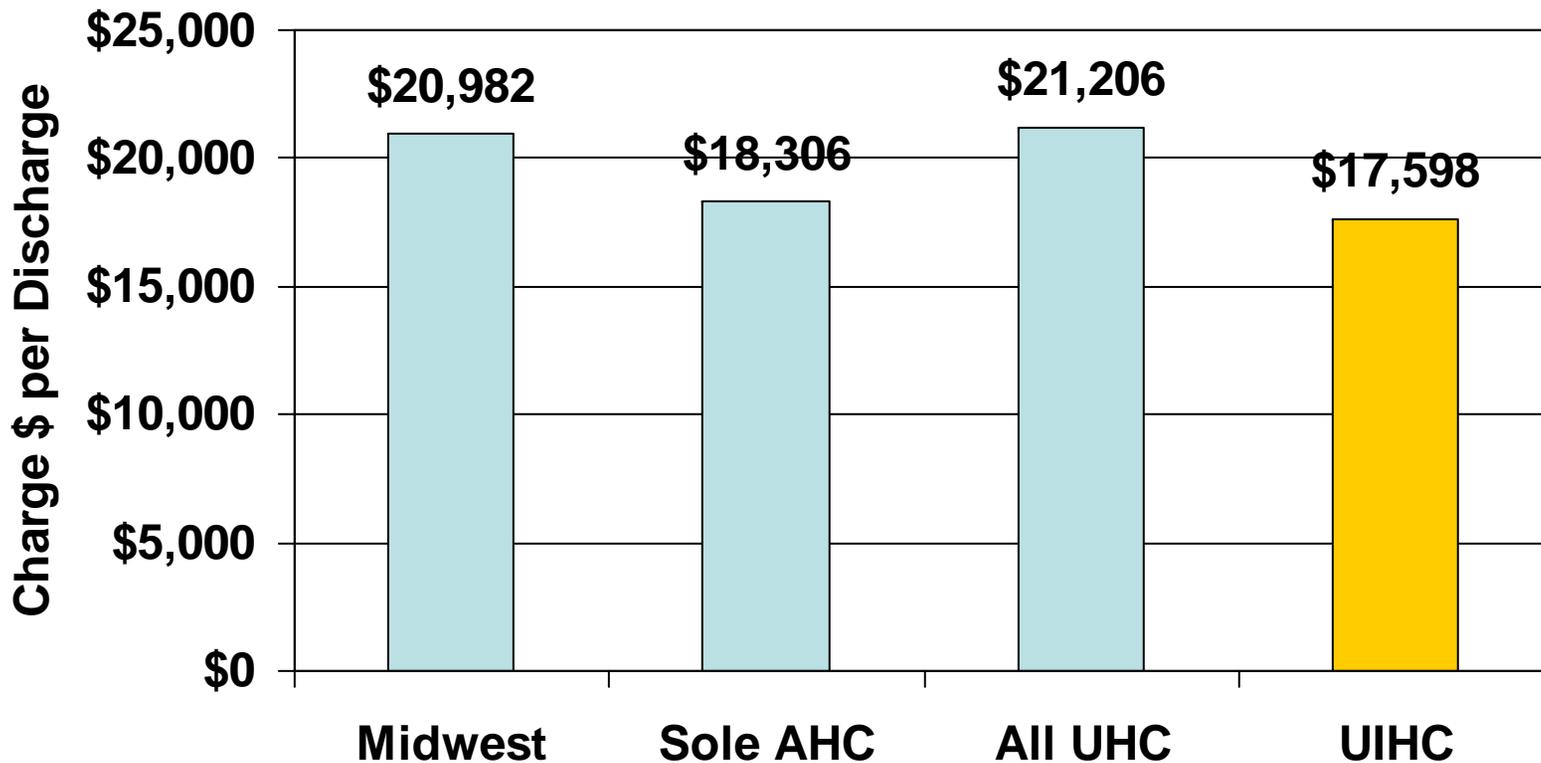
* A 9.5% increase will generate \$118.8M in gross charges and \$13.6M in net revenue, \$13.6 M is 2.28% increase over FY 2005 projected revenue of \$595.4 M

Midwest Academic Medical Centers Case Mix Adjusted Charges per Discharge CY 2004



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

Projected UHC FY2006 Comparison after 9.5% Increase



Source: University Healthsystem Consortium, case mix adjusted average charges per inpatient discharge, rolled forward with avg 8% CDM increase

What Is The Impact Of Charge Increases On Employers?

- If fully insured, no immediate impact. Risk is assumed by insurer.
- If self-insured, impact of charge increase limited to those services paid on discount from charges.
- 78% of UIHC total charges paid at fixed rate vs. discount

What Is The Impact Of Charge Increases On Patients?

- Self Pay patients will be impacted (<5% of total charges). Collections on this population average <30%.
 - Policy for discounts to the medically indigent
- University HealthSystem Consortium analyzed the impact of higher charges on insured patients:
 - No impact on deductibles
 - Actual copayment impact is limited by out of pocket maximums

Conclusion

- Patient care activity is projected to increase in FY 06.
- Additional costs are expected to increase with the majority of these incremental costs in salary, benefits, supplies and implants.
- UIHC is projected to finish FY 2005 with a 3.0% operating margin.
- UIHC requests the Regent's approval of 9.5% increase.

Discussion and Questions

Appendix

UHC Peer Comparison Average Charges per Discharge

	All UHC	Midwest	Sole AHC
	Members	Members	in Market
Minimum	\$ 8,543	\$ 14,626	\$ 13,715
25th Percentile	\$ 13,715	\$ 16,703	\$ 15,580
Median	\$ 17,027	\$ 18,452	\$ 16,359
75th Percentile	\$ 22,768	\$ 21,685	\$ 18,147
Maximum	\$ 50,732	\$ 30,320	\$ 22,200
Iowa %tile	43%	8%	30%

**UIHC
Average
Charges per
Discharge
\$16,071**

Source: University Healthsystem Consortium, case mix adjusted data

UHC Peer Comparison Average Charges per Patient Day

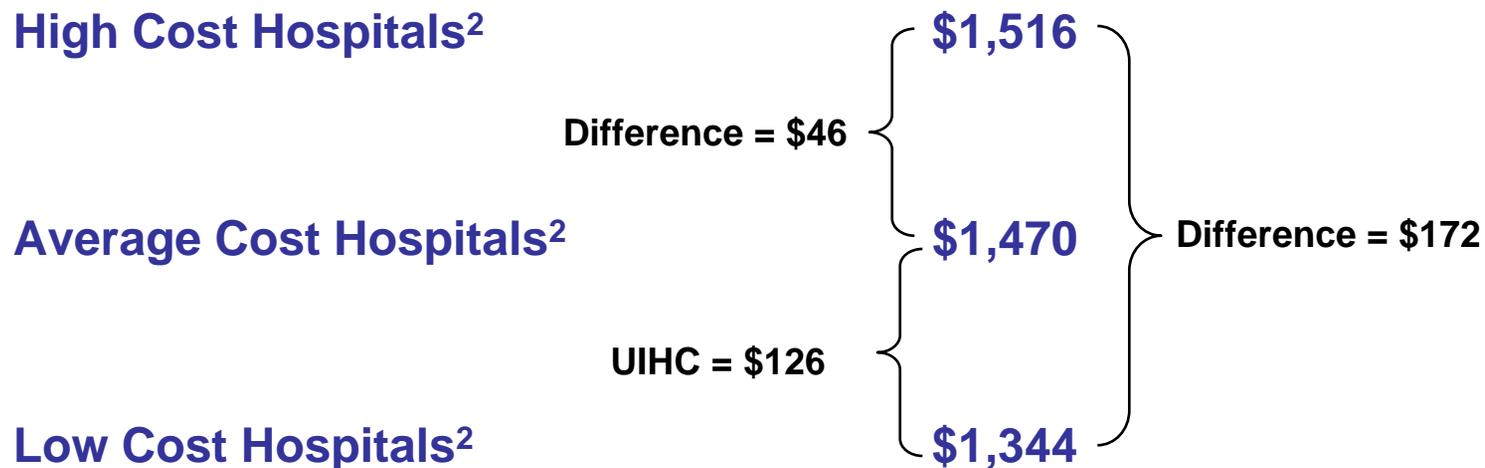
	All UHC	Midwest	Sole AHC
	Members	Members	in Market
Minimum	\$ 1,678	\$ 2,258	\$ 2,130
25th Percentile	\$ 2,402	\$ 2,770	\$ 2,552
Median	\$ 2,912	\$ 3,216	\$ 2,845
75th Percentile	\$ 3,934	\$ 3,723	\$ 3,311
Maximum	\$ 9,778	\$ 4,905	\$ 3,602
UIHC %tile	22%	8%	10%

**UIHC
Average
Charges per
Patient Day
\$2,388**

Source: University Healthsystem Consortium, case mix adjusted data

Impact of Higher Charges on Copayments

Average Out-Of-Pocket Copayment Per Admission, All Patients¹



Patients will have nominal out-of-pocket copayment impact with charge increases.

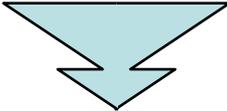
¹ The benefit plan design applied to develop average out-of-pocket cost per admission is comprised of a \$300 deductible, \$1,800 OOP maximum, and 90% coinsurance.

² Hospitals ranked in quartiles by case mix-adjusted allowable charges developed from more than 300,000 PPO admissions and corresponding outpatient visits modeled through three standard benefit plan designs: High Cost = top 25%, Average Cost = middle 50%, and Low Cost = bottom 25%.

Source: Milliman USA, Consulting Actuaries

Out-of-Pocket Maximums Limit Impact on Patients

**Comparison Of One Patient’s Out-Of-Pocket Copayments
 (“High Cost” vs “Low Cost” Hospitals, In-Network PPO Benefits)**

	<u>“Low Cost” Hospital</u>	<u>“High Cost” Hospital¹</u>
Billed Charges	\$25,943	\$40,130
- PPO Discount	<u>-\$7,783</u>	<u>-\$12,039</u>
Allowable Charges	\$18,160	\$28,091
10% Patient Copay (Max. OOP=\$2,000)*	<u>\$1,816</u>	<u>\$2,000*</u>
		
	Cost Difference To Patient = <u>\$184</u>	

* Assumes patient met none of his/her out-of-pocket limit prior to admission.

¹ “High Cost” hospital is defined as a hospital in the upper quartile of case mix-adjusted allowable charges developed from more than 300,000 PPO admissions and corresponding outpatient visits modeled through three standard benefit plan designs.

Source: Milliman USA, Consulting Actuaries

The University of Iowa Hospitals and Clinics
 CAPITAL PLAN SUMMARY
 ANTICIPATED CAPITAL PROJECTS - FY 2006

(All of These Projects are Contingent Upon the Availability of Self-Generated UIHC Funding, Approval through UIHC’s Annual Capital Budget Process, Conclusions/Recommendations Adopted in Developing UIHC’s Strategic Facilities Plan for FY 2006 – 2025, and Approval of Each Project by the Board of Regents, State of Iowa)

<u>Project Name</u>	<u>FY 2006 Anticipated Requested Board/Board Office Actions</u>	<u>Estimated Cost</u>	<u>Construction Fund Source(s)</u>	<u>Estimated New Operations & Maintenance Costs</u>	<u>Anticipated Source(s) of Operations & Maintenance Funds</u>	<u>UIHC Priority</u>
Project Categories						
Fire and Environmental Safety						
• Sprinkler System Installation.....	D	\$ 600,000	9	\$ 0	NA	1
Subtotal - Fire and Environmental Safety		\$ 600,000		\$ 0		
Building Deferred Maintenance.....		\$ 0	NA	\$ 0	NA	NA
Utility Deferred Maintenance		NA	NA	NA	NA	NA
(Utility projects are documented and reported by the General University)						
New Building Construction						
• Clinical Cancer Center Clinic and Infusion Therapy Suite	A, B, C	\$ 16,088,000	9, 10	\$ 1,202,000	*	1
• Sports Medicine Center and UI/UI Health Care Computer Facility	A, B	\$ 14,800,000	9, 12	\$ 1,153,000	**	1
Subtotal - New Building Construction.....		\$ 30,888,000		\$ 2,355,000		
Remodel/Renovation						
• UI Heart Care Clinic and Diagnostic Laboratories Renovation and Expansion	A, B, C, E	\$ 9,650,000	9	\$ 0	NA	1
• Pneumatic Tube System Upgrade/Replacement	A, B, C, E	\$ 5,925,000	9	\$ 0	NA	1
• Autopsy Suite Relocation	A, B	\$ 3,019,000	9	\$ 0	NA	1
• Urology Clinic Renovation and Expansion.....	A, B, C, E	\$ 3,000,000	9	\$ 0	NA	1
• Neurosurgery Clinic Renovation and Expansion	A, B, C, E	\$ 2,081,000	9	\$ 0	NA	1
• Boyd Tower/General Hospital Chilled Water System Infrastructure Optimization	B, D	\$ 400,000	9	\$ 0	NA	1

<u>Project Name</u>	<u>FY 2006 Anticipated Requested Board/Board Office Actions</u>	<u>Estimated Cost</u>	<u>Construction Fund Source(s)</u>	<u>Estimated New Operations & Maintenance Costs</u>	<u>Anticipated Source(s) of Operations & Maintenance Funds</u>	<u>UIHC Priority</u>
• Carver Pavilion Chilled Water System Infrastructure Optimization	B, D	\$ 339,000	9	\$ 0	NA	1
• Roof Replacements and Recovers (Multiple Projects).....	A, B, C, E	\$ 2,175,000	9	\$ 0	NA	2
• OR Suite Air Handling Unit Installation	B, D	\$ 440,000	9	\$ 0	NA	2
• Pappajohn Pavilion Curtain Wall Modifications...	B, D	\$ 375,000	9	\$ 0	NA	2
• Center for Disabilities and Development Emergency Generator Replacement	B, D	\$ 250,000	11	\$ 0	NA	2
Subtotal ĆRemodel/Renovation		\$ 27,654,000		\$ 0		
Utility Expansion		\$ 0	NA	\$ 0	NA	NA
Telecommunication Expansion		\$ 0	NA	\$ 0	NA	NA
Parking Improvements		NA	NA	NA	NA	NA
(Parking projects are documented and reported by the General University)						
Total.....		<u>\$ 59,142,000</u>		<u>\$ 2,355,000</u>		

Anticipated Requested Board/Board Office Actions:

- A. Permission to Proceed with Project Planning
- B. Architect/Engineer Agreement
- C. Program Statement
- D. Project Description and Budget
- E. Project Description, Schematic Design and Budget

Summary by Source of Funds:

1. Capital Appropriations/Academic Building Revenue Bond Proceeds ...	---
2. General Fund – Operating Budget Building Repair Funds.....	---
3. Income from Treasurer’s Temporary Investments	---
4. Utility Enterprise Funds and Bonds	---
5. Telecommunications Funds and Bonds	---
6. Dormitory Improvement Funds and Bonds.....	---
7. Gifts.....	---
8. Federal Funds.....	---
9. University Hospitals Building Usage Funds.....	\$ 41,425,000
10. UIHC Bonds.....	\$ 15,000,000
11. Center for Disabilities and Development Building Usage Funds	\$ 250,000
12. UI Information Technology Services Operating Revenues	\$ 2,467,000
Total.....	<u>\$ 59,142,000</u>

- * **Source of funds for anticipated operations and maintenance costs for all UIHC projects is paying patient revenues.**

- ** **Source of funds for anticipated operations and maintenance costs for the University of Iowa component of this project is Iowa Technology Services operating revenues.**

Project Prioritization:

As previously noted, all of the projects identified on UIHC's FY 2006 Capital Plan are contingent on the availability of self-generated UI Hospitals and Clinics funding, approval through UIHC's annual capital budget process, conclusions and recommendations adopted in developing UIHC's strategic facilities plan for FY 2006 – 2025, and approval of each project by the Board of Regents, State of Iowa. The Priority #1 projects listed on this plan represent those that have received internal funding authorization based on the need to meet requirements for compliance with life-safety and building codes or regulatory and accreditation standards of such organizations as the Occupational Safety and Health Administration and Joint Commission on Accreditation of Healthcare Organizations; and those projects that will provide for the development of patient care and support facilities necessary to meet new patient service needs or anticipated continued growth in patient volume while enhancing revenues and/or decreasing operating expenses. The Priority #2 projects are those that have received internal funding authorization and are essential to meet commitments related to the UIHC's mission or achievement of specific elements of its strategic plan, although no significant revenue enhancements or cost reductions are anticipated to directly accrue from undertaking the project.

The "cutting edge" responsibility of the UIHC constantly brings about some revision in planning. While the foregoing capital plan includes all projects now envisioned for FY 2006, it is possible that the dynamics of clinical service-educational demands and corollary societal forces and accreditation regulatory requirements will necessitate initiating other projects. In accord with long-standing practice, any such changes that arise will be fully documented for consideration and approval by the Board of Regents, State of Iowa.



**UNIVERSITY OF IOWA HOSPITALS AND CLINICS
CAPITAL PLAN
ANTICIPATED CAPITAL PROJECTS - FY 2006**

(All of These Projects are Contingent Upon the Availability of Self-Generated UIHC Funding, Approval through the UIHC's Annual Capital Budget Process, Conclusions/Recommendations Adopted in Developing UIHC's Strategic Facilities Plan for FY 2006-2025, and Approval of Each Project by the Board of Regents, State of Iowa)

	Estimated Cost	Funds Source(s)	Estimated New Operations & Maintenance Costs	Anticipated Source(s) of Operations & Maintenance Funds	UIHC Priority
<u>Fire and Environmental Safety</u>					
• Sprinkler System Installation	\$600,000	9	\$0	NA	1
This project provides for the installation of sprinkler systems to serve areas of General Hospital that are not presently protected by this system. The project is the last phase of UIHC's long-term strategy to provide one hundred percent fire sprinkler coverage for all its buildings. The project will resolve life-safety deficiencies and is essential to reach compliance with the JCAHO mandated Plans for Improvement.					
Subtotal - Fire and Environmental Safety	\$600,000		\$0		
<u>Building Deferred Maintenance</u>	\$0	NA	\$0	NA	NA
<u>Utility Deferred Maintenance</u>	NA	NA	NA	NA	NA

(Utility deferred maintenance projects are documented and reported by the General University)



	Estimated Cost	Funds Source(s)	Estimated New Operations & Maintenance Costs	Anticipated Source(s) of Operations & Maintenance Funds	UIHC Priority
<u>New Building Construction</u>					
<ul style="list-style-type: none"> Clinical Cancer Center Clinic and Infusion Therapy Suite 	\$600,000	9, 10	\$1,202,000	Paying Patient Revenues	1
<p>This project provides for the finishing of approximately sixty-two thousand gross square feet of shell space on the first and second levels of the West Addition to the Pomerantz Family Pavilion to develop a replacement ambulatory care clinic, chemotherapy and infusion therapy suite, and diagnostic laboratory for the Holden Comprehensive Cancer Center. The project is required to meet the growth in Clinical Cancer Center outpatient and chemo/infusion therapy service volume and to position this Center in facilities directly above the Center of Excellence in Image-Guided Radiation Therapy to provide a more convenient and centralized location for patients receiving diagnostic and treatment services in the Holden Comprehensive Cancer Center, Iowa's only NIH-designated cancer center. On completion of this project the Clinical Cancer Center space on the fourth level of the Pappajohn Pavilion will be reassigned to meet the patient care needs of the UIHC's Center for Digestive Disease and UI Heart Care Center, both of which are located on the fourth levels of the adjoining Colloton and Carver Pavilions, respectively.</p>					
<ul style="list-style-type: none"> Sports Medicine Center and UI/UI Health Care Computer Facility 	\$14,800,000	9,12	\$1,153,000	Paying Patient Revenues for UIHC components	1
<p>This project provides for the development of a Sports Medicine Center and UI/UI Health Care hardened Computer Facility within a single building on a site at the University's West (Hawkeye) Campus. The Sports Medicine Center will be constructed on grade level and will provide the necessary diagnostic and treatment facilities, now estimated at 40,000 gross square feet, for offering a comprehensive sports medicine services to athletes from the University of Iowa, other public and privately sponsored athletic programs, and the general public. The Computer Facility will be developed below the Sports Medicine Center to support the combined information technology needs of the UIHC and the University of Iowa Information Technology Services. The facility will be approximately 20,000 gross square feet and will be designed and constructed in a manner that will assure the security and protect information systems from man-made attacks or natural disasters.</p>				University of Iowa Information Technology Services operating revenues for U of Iowa components	
Subtotal - New Building Construction	\$30,888,000		\$2,355,000		



	Estimated Cost	Funds Source(s)	Estimated New Operations & Maintenance Costs	Anticipated Source(s) of Operations & Maintenance Funds	UIHC Priority
<u>Remodel/Renovation</u>					
<ul style="list-style-type: none"> • UI Heart Care Clinic and Diagnostic Laboratories Renovation and Expansion <p>This project provides for the phased renovation and expansion of the UI Heart Care clinic and diagnostic laboratories that are located on the fourth level of Carver Pavilion. The project is necessary to accommodate the growth in this clinical service's outpatient clinic visit and diagnostic and therapeutic procedure volume. In part, present facilities will be renovated to provide needed growth in cardiovascular laboratory capacity. Space to facilitate expansion will become available when the Clinical Cancer Center clinics and infusion therapy suite are relocated to levels one and two of the West Addition of Pomerantz Family Pavilion from the fourth level of Pappajohn Pavilion.</p>	\$9,650,000	9	\$0	NA	1
<ul style="list-style-type: none"> • Pneumatic Tube System Upgrade/Replacement <p>The existing pneumatic tube system at UIHC is unreliable, overloaded, difficult to maintain and slow. The current system is no longer manufactured and replacement parts must be custom fabricated and/or purchased through secondary market sources, such as e-bay. This project provides for a replacement system incorporating industry standard 6- round pneumatic tube piping, send/receive stations, diverters, blowers and other system components. Completion of the project replaces an essential material transport system that is past its useful life. It will result in significant reductions in the time it takes to send and receive patient specimens and other patient-related material from the hospitals' patient care units, clinical laboratories, pharmacies and other locations requiring access to this system.</p>	\$5,925,000	9	\$0	NA	1



	Estimated Cost	Funds Source(s)	Estimated New Operations & Maintenance Costs	Anticipated Source(s) of Operations & Maintenance Funds	UIHC Priority
Remodel/Renovation (cont.)					
<ul style="list-style-type: none"> Autopsy Suite Relocation <p>This project provides for the renovation of approximately six thousand gross square feet of space on the first level of General Hospital to develop a replacement autopsy suite. The existing autopsy suite is 75 years old and its facilities are spatially and environmentally inadequate to meet the demands of a modern autopsy/forensic pathology service. The autopsy suite has been cited by the College of American Pathologists for lack of adequate space, an inconvenient location in relation to other Department of Pathology facilities and other UIHC services, and the suite's failure to meet all safety requirements. Due to the lack of a visitation room, families must use the central receiving room to view their loved ones. There is also inadequate space to temporarily store bodies and for longer-term storage of tissue and other specimens. The suite's present remote location in the lower level of the Medical Laboratory Building is inconvenient to UIHC's house staff and attending physicians who frequently consult with autopsy suite staff and to the families of deceased patients who may wish to spend time with their loved one prior to the deceased being removed from the medical center.</p>	\$3,019,000	9	\$0	NA	1
<ul style="list-style-type: none"> Urology Clinic Renovation and Expansion <p>This project provides for the renovation of the Department of Urology ambulatory care clinic located on the third level of Carver Pavilion. The total area to be renovated is approximately fourteen thousand five hundred gross square feet. Through the use of approximately fifteen hundred gross square feet of space within the clinic that formerly had been used by the Department of Radiology, the project will also provide for a modest expansion of the clinic's facilities. The project is necessary to accommodate the increased number of patient examinations and treatments, to provide additional space for house staff training and clinic support staff functions, and to upgrade other components of the clinic which became operational in this location in 1982.</p>	\$3,000,000	9	\$0	NA	1
<ul style="list-style-type: none"> Neurosurgery Clinic Renovation and Expansion <p>This project provides for the expansion and renovation of the Neurosurgery Clinic located on the first level of the Pappajohn Pavilion. The project is required to accommodate past and projected future growth in Neurosurgery outpatient volume. To provide the necessary space to permit the clinic expansion the adjacent offices of the Department of Surgery's Division of Cardiothoracic Surgery will be relocated to new offices to be developed in General Hospital.</p>	\$2,081,000	9	\$0	NA	1



	Estimated Cost	Funds Source(s)	Estimated New Operations & Maintenance Costs	Anticipated Source(s) of Operations & Maintenance Funds	UIHC Priority
Remodel/Renovation (cont.)					
<ul style="list-style-type: none"> Boyd Tower/General Hospital Chilled Water System Infrastructure Optimization <p>The phased development of the chilled water system serving the Boyd Tower and General Hospital has resulted in higher than necessary chilled water flow rates and lower than optimal return water temperatures, both of which have led to significant operational inefficiencies. To resolve these deficiencies the project provides for replacing the existing system's pumps, control valves, and controls. At current rates, these corrective measures are projected to result in an annual savings of approximately \$270,000 in payments for chilled water.</p>	\$400,000	9	\$0	NA	1
<ul style="list-style-type: none"> Carver Pavilion Chilled Water System Infrastructure Optimization <p>The phased development of the chilled water system serving the Carver Pavilion has resulted in higher than necessary chilled water flow rates and lower than optimal return water temperatures, both of which have led to significant operational inefficiencies. To resolve these deficiencies the project provides for replacing the existing system's pumps, control valves, and controls. At current rates, these corrective measures are projected to result in an annual savings of approximately \$235,000 in payments for chilled water.</p>	\$339,000	9	\$0	NA	1
<ul style="list-style-type: none"> Roof Replacements and Recovers (Multiple Projects) <p>These projects provide for the replacement and recover of deteriorated roofs. The roof replacements are required to eliminate leaks resulting from cracks in roof membrane caused by weathering and physical damage. The existing rubber membrane/stone ballast roofs will be replaced with a rigid built-up system that is more durable. The roof recovers are required to extend the life, and warranties, of existing roof membranes.</p>	\$2,175,000	9	\$0	NA	2
<ul style="list-style-type: none"> OR Suite Air Handling Unit Installation <p>This project provides for the installation of a redundant, back-up air handling unit to serve UIHC's main OR suite. This unit is required to permit the OR suite to continue functioning when a unit fails or requires maintenance.</p>	\$440,000	9	\$0	NA	2



	Estimated Cost	Funds Source(s)	Estimated New Operations & Maintenance Costs	Anticipated Source(s) of Operations & Maintenance Funds	UIHC Priority
Remodel/Renovation (cont.)					
• Pappajohn Pavilion Curtain Wall Modifications	\$375,000	9	\$0	NA	2
This project provides for modifications to an existing level 7 John Pappajohn Pavilion (JPP) curtain wall system to eliminate leaks into occupied patient care and support facilities located on level 6 JPP. Temporary modifications have been made to address this situation but permanent corrective action is required to prevent the leaks from re-occurring.					
• Center for Disabilities and Development Emergency Generator Replacement	\$250,000	1	\$0	NA	2
This project provides for the replacement of the emergency generator and select components presently serving the Center for Disabilities and Development (CDD). CDD-one of the hospitals of UIHC-is a separate, 3-story facility serving the health care needs of individuals with severe disabilities and neuro-trauma. The existing emergency generator to be replaced is a 1960s era device originally moved to the CDD in used condition when a larger emergency power generator was installed in General Hospital. Replacement parts are no longer and growing facility electrical demands are rapidly exceeding its power generating capacity. Additionally, CDD has recently experienced occasions when its emergency power generator has failed to respond during loss of domestic power. Failure to upgrade this device presents potential life safety risks for patients, staff, and visitors.					
Subtotal - Remodel/Renovation	\$27,654,000	9	\$0		
Utility Expansion	\$0	NA	\$0	NA	NA
Telecommunication Expansion	\$0	NA	\$0	NA	NA
Parking Improvements	NA	NA	NA	NA	NA
(Parking improvements are documented and reported by the General University)					
Total	\$59,142,000		\$2,355,000		

Fund Sources:

- | | |
|---|--|
| 1. Capital Appropriations/Academic Building Revenue Bond Proceeds | 7. Gifts |
| 2. General Fund - Operating Budget Building Repair Funds | 8. Federal Funds |
| 3. Income from Treasurer's Temporary Investments | 9. University Hospitals Building Usage Funds |
| 4. Utility Enterprise Funds and Bonds | 10. UIHC Bonds |
| 5. Telecommunications Funds and Bonds | 11. Center for Disabilities and Development Building Usage Funds |
| 6. Dormitory Improvement Funds and Bonds | 12. UI Information Technology Services Operating Revenues |

Project Prioritization:

As previously noted, all of the projects identified on UIHC's FY 2006 Capital Plan are contingent on the availability of self-generated UI Hospitals and Clinics funding, approval through UIHC's annual capital budget process, conclusions and recommendations adopted in developing UIHC's strategic facilities plan for FY 2006-2025, and approval of each project by the Board of Regents, State of Iowa. The Priority #1 projects listed on this plan represent those that have received internal funding authorization based on the need to meet requirements for compliance with life-safety and building codes or regulatory and accreditation standards of such organizations as the Occupational Safety and Health Administration and Joint Commission on Accreditation of Healthcare Organizations; and those projects that will provide for the development of patient care and support facilities necessary to meet new patient service needs or anticipated continued growth in patient volume while enhancing revenues and/or decreasing operating expenses. The Priority #2 projects are those that have received internal funding authorization and are essential to meet commitments related to the UIHC's mission or achievement of specific elements of its strategic plan, although no significant revenue enhancements or cost reductions are anticipated to directly accrue from undertaking the project. The "cutting edge" responsibility of the UIHC constantly brings about some revision in planning. While the foregoing capital plan includes all projects now envisioned for FY 2006, it is possible that the dynamics of clinical service-educational demands and corollary societal forces and accreditation regulatory requirements will necessitate initiating other projects. In accord with long-standing practice, any such changes that arise will be fully documented for consideration and approval by the Board of Regents, State of Iowa.

**UNIVERSITY OF IOWA HOSPITALS AND CLINICS
FY 2006 CAPITAL PLAN
STATUS REPORT FOR PREVIOUSLY APPROVED CAPITAL PROJECTS
EXCEEDING \$1,000,000 FUNDED THROUGH UNIVERSITY HOSPITALS
BUILDING USAGE FUNDS, UIHC BONDS AND GIFT FUNDS**

a) Projects For Which Construction Will Be Completed In FY 2006

1. Center of Excellence in Image-Guided Radiation Therapy and 3-Story Building Shell Above the Center of Excellence
\$39,644,000
Project bids were received in the second quarter of FY 2003. Completion of the Center of Excellence in Image-Guided Radiation Therapy occurred in the fourth quarter of FY 2005. Completion of the 3-Story Building Shell above the Center of Excellence is expected in the first quarter of FY 2006.
2. Intermediate Pulmonary Care Unit Development
\$4,700,000
Project bids were received and construction commenced in the second quarter of FY 2005. Construction is estimated to be complete in the fourth quarter of FY 2006.
3. Positron Emission Tomography Imaging Center Expansion
\$2,460,000
Project bids were received in the fourth quarter of FY 2004. Construction began in the first quarter of FY 2005 and will be complete in the first quarter of FY 2006.

b) Projects For Which Construction Will Continue During FY 2006

1. Emergency Treatment Center Expansion and Renovation
\$30,000,000
This project is being completed in two major phases. Phase one, site utilities development and modular MRI unit relocation, commenced in the third quarter of FY 2005 and will be completed by the first quarter of FY 2006. Construction of phase two, expansion and renovation of the ETC, will commence in the fourth quarter of FY 2005 and be completed in the third quarter of FY 2009.

2. Pediatric Inpatient Unit Renovation

\$11,875,000

Project bids were received in third quarter of FY 2005. The project will be completed in two phases. Phase I, renovation of the level 2 JCP inpatient unit, will be completed in the first quarter of FY 2006. Completion of phase II, renovation of the level 3 JCP inpatient unit, is projected for the second quarter of FY 2007.

3. MRI Center Renovation and System Installation - Phase II

\$3,750,000

Project bids were received in the third quarter of FY 2005. Construction will commence in the fourth quarter of FY 2005 and is estimated to be complete in the second quarter of FY 2007.

Projects For Which it is Estimated That Construction Will Begin in FY 2006

1. Ambulatory Surgery Center and Procedure Suites and Replacement Ambulatory Care Clinics Development

\$39,600,000

Projected bid date for this project is in the fourth quarter of FY 2005. Construction is estimated to commence in the first quarter of FY 2006 and be complete in the fourth quarter of FY 2007.

2. Patient and Visitor Services Center

\$4,606,500

Projected bid date for this project is in the fourth quarter of FY 2005. Construction is estimated to commence in the second quarter of FY 2006 and be complete in the third quarter of FY 2007.

3. Nursing Clinical Education Center

\$3,800,000

Project bids were received in the third quarter of FY 2005. Construction is estimated to commence in the first quarter of FY 2006 and be complete in the fourth quarter of FY 2006.

d) Projects On Hold Due to Budget Constraints

1. None

e) Other (Projects Which Will Be In Design For The Entire FY 2006, etc.)

1. None

The University of Iowa Hospitals and Clinics

ACTION REQUESTED: Approve Purchase of General Purpose Parenteral Infusion Devices (IV Pumps) for Pediatric Inpatient Units and Outpatient Clinics

EXPLANATION

The University of Iowa Hospitals and Clinics (UIHC) requests approval to proceed with the purchase of a standardized system of General Purpose Parenteral Infusion Devices (IV Pumps) for the Pediatric inpatient units and outpatient clinics. The new infusion devices will replace existing pumps in the pediatric services purchased in 1993. This request is part of a hospital-wide initiative to standardize general purpose infusion devices across all pediatric and adult services.

The present pediatric infusion devices are now beyond their useful life and experiencing significant downtime for repairs. In addition, they do not possess the technologies required for a dose-error reduction system (i.e., "smart pump"), a critical element for the implementation of new medication delivery systems and ultimately for patient safety. The new devices will include drug libraries and two-way wireless systems enabling the pumps to interact with the hospitals' medication point-of-care system and intensive care clinical documentation system.

The requested pediatric infusion devices have been selected through the competitive bid process. The choice of device for purchase has been narrowed to two vendors. Clinical evaluations of the final two vendors will take place in May, with a single vendor selected by mid June 2005. The total budget for the infusion devices is \$1,251,550 and depending on the final price for the Infusion pumps, between 250 and 300 will be purchased. The source of funding for this purchase is UIHC funds for capital equipment acquisition during FY '05. The new pediatric general purpose infusion devices will be delivered and introduced into service during FY '06. Devices for the adult services will be purchased and installed in subsequent fiscal years.

The purchase of new general purpose infusion devices will improve efficiency through standardization and will greatly enhance the capabilities and safety of our medication delivery systems.



RE: BYLAWS AMENDMENT REVISING THE CHARGE TO THE EMERGENCY TREATMENT CENTER ADVISORY SUBCOMMITTEE

Article III, Section 5.B.7 is revised to read as follows:

7. Emergency Treatment Center Advisory Subcommittee

To formulate cross-departmental policies, procedures and programs to assure the effective and efficient operation, as well as appropriate use, of the Emergency Treatment Center (ETC) at the UIHC so that standards of patient service are continuously maintained at the highest level. Activities undertaken in fulfillment of this charge will include:

- a. Review of policies promulgated and activities carried out in the ETC by clinical and hospital departments which affect the ability of the ETC to meet its patient service and training mission.
- b. Review and ongoing modification of the scope of services provided within the ETC.
- c. Evaluation of the future needs of the ETC, particularly in the areas of space, supporting facilities and resources.
- d. ~~Advising the Director of the ETC regarding the professional responsibilities and interprofessional relationships of ETC physicians, interdepartmental relationships within the ETC, and the organizational structure and institutional mission of the ETC.~~

EXPLANATION

This amendment reflects the evolution and development of the Department of Emergency Medicine and the consolidation of the Emergency Medicine Clinical Service within the Department.

University of Iowa Hospitals and Clinics

RE: BYLAWS AMENDMENT EXPANDING THE MEMBERSHIP OF THE UNIVERSITY HOSPITAL ADVISORY COMMITTEE

Article III, Section 3 is amended to read as follows:

Section 3: Membership

Membership of the University Hospital Advisory Committee shall consist of the following:

- a. The Heads of the respective Clinical Services;
- b. The Director of the UIHC;
- c. The Chief of Staff;
- d. The Dean of the College of Medicine;
- e. The Chairperson of Cardiothoracic Surgery;
- f. Five at-large members of the Clinical Staff; these members shall be elected by ballot with each Active Clinical Staff member, excluding those Clinical Staff members who are already members of the University Hospital Advisory Committee, allotted a single vote. No more than two of the at-large members shall have clinical privileges in the same Clinical Service. Elections shall be held every three years on April 1. In the event that an at-large position becomes vacant more than six months prior to a scheduled election, a special election shall be held. The term of the member(s) elected in the special election will run until the next regular election. A member-at-large shall remain a member of the Committee until resignation or until replaced by a subsequent at-large election.
- g. ~~The Chief Operating Officer of the UIHC.~~ The Associate Directors of the UIHC.
- h. ~~The Director of the Department of Nursing.~~
- ih. The Director of the Clinical Cancer Center.
- ti. Administrative officials who, as a result of past extraordinary contributions to the UIHC, could serve in a valuable future consultative role may, at the discretion of the Committee retain non-voting membership when they leave the positions that initially entitled them to membership.

EXPLANATION

This amendment expands the membership of the University Hospital Advisory Committee by adding the UIHC Associate Directors to the Committee.