MEETING OF THE BOARD OF REGENTS, STATE OF IOWA, AS THE BOARD OF TRUSTEES  
OF THE UNIVERSITY OF IOWA HOSPITALS AND CLINICS  
March 21, 2006  
Ottumwa, Iowa

I. Introductory Comments  
David J. Skorton; President, The University of Iowa

(30 Min.) II. Department of Otolaryngology  
Donna Katen-Bahensky, Director and Chief Executive Officer
Bruce Gantz, M.D.; Professor and Head, UI Department of Otolaryngology–Head and Neck Surgery; Brian F. McCabe Distinguished Chair in Otolaryngology–Head and Neck Surgery

Donna Katen-Bahensky

(15 Min.) B. FY2007 Environmental Assessment  
Donna Katen-Bahensky

(15 Min.) C. IowaCare Update  
Donna Katen-Bahensky

(15 Min.) D. Director's Report  
Donna Katen-Bahensky
Department of Otolaryngology

Bruce Gantz, M.D.

Professor and Head, Department of Otolaryngology–Head and Neck Surgery, Brian F. McCabe Distinguished Chair in Otolaryngology–Head and Neck Surgery
Department of Otolaryngology—Head and Neck Surgery

Bruce J Gantz
Professor and Head
1871: Lectureship in Ophthalmology and Otology

1903-1927: Lee Wallace Dean: 1st Department Head

1925: Separated Otolaryngology and Ophthalmology

1927-1964: Dean Lierle

1964-1994: Brian McCabe

1995-: Bruce Gantz
National and International Stature

- **US and New World Report**
  - Department has been ranked 1-3 past 16 years of rankings

- **World Leader in Cochlear Implant Research**
  - 1st Multichannel implant in US- 1982
  - 1st Congenitally Deafened Child to receive implant worldwide- 1987
  - 1st Bilateral Cochlear Implantation at same Surgery 1996
  - Pioneered telemetry system to evaluate residual auditory nerve function
  - Hybrid Cochlear Implant combines acoustic and electrical processing
  - Only NIH Sponsored Clinical Research Center for Cochlear Implants

- **Cleft Palate Multidisciplinary Team Care and Research- 1950’s**
- Leader in identification of genes responsible for hearing loss
- National Leader in Head and Neck Cancer
- MD faculty with NIH External Support
- Research Training in Otolaryngology
Department Today

Physicians N=15   PhD Scientists N=4
Joint Appointment Faculty N=13

- **Otolaryngology/Neurotology**: 2 Faculty
- **Head and Neck Oncology**: 4 Faculty
- **Pediatric Otolaryngology**: 3 Faculty
- **Plastic and Reconstructive Surgery of the Head and Neck**: 2 Faculty
- **Rhinology/Sinus Disorders**: 1 Faculty
- **Laryngology/Voice Disorders/Swallowing**: 2 Faculty
- **General Otolaryngology**: 2 Faculty
- **Otolaryngology Research**: 2 PhD Faculty + 4 PhD Research Scientists + 13 Joint Faculty
Department Budget FY-06
$15 Million

- State Appropriations: 4%
- Industry Funding: 2%
- Federal Funding: 39%
- Patient Care Receipts: 49%
- Other: 6%

Federal Grants: 39%
Industry Grants: 2%
State Funding: 4%
Other: 6%
Patient Care Receipts: 49%
Department of Otolaryngology–H&NS
External Support

Grant Funding FY 1997-2006

Number of Federally Supported Faculty and Staff N=79
### Research: Auditory Science

- **Iowa Cochlear Implant Clinical Research Center**
  - NIH Funding 1985-2006: $28,247,564 (+$11m 2006-11)

- **Molecular Genetics of Hearing Loss**
  - NIH Funding 1992-2006: $10,671,508

- **Neurophysiology of Hearing**
  - NIH Funding 1996-2006: $4,816,439

- **Tinnitus Research**
  - NIH Funding 2004-2009: $1,609,405

<table>
<thead>
<tr>
<th>Direct Costs</th>
<th>Indirect Costs</th>
<th>Total Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>$33,110,507</td>
<td>$13,234,409</td>
<td>$46,344,916</td>
</tr>
</tbody>
</table>

(+$11m 2006-11)
Faculty Federal Grants

Bruce Gantz: (3) P50, T-32, U0-1 (NIDCD)
Richard Smith: (3) R01 X 3 (NIDCD)
Gerry Funk: (1) R01 (NCI)
Jose Manaligod: (2) K23, R01 (NIDCD)
John Lee: (2) KO8 (NIDCD), Merit Award (VA) **
Marlan Hansen: (1) K08 (NIDCD) **
Doug Van Daele: (1) K08 (NIDCD) **
Doug Trask: (1) K08 (NCI)
Richard Tyler**: (1) R01 (NIDCD)
Charles Miller**: (1) R01 (NIDCD)

**PhD
** T- 32 Trainee
## Department of Otolaryngology– H&NS
Best Practices

### Informal Survey of Top 8 Oto Departments

<table>
<thead>
<tr>
<th>Institution</th>
<th>Tenured or Tenure-track PhDs</th>
<th>R01s</th>
<th>Soft money Research PhDs</th>
<th>R01s</th>
<th>Total Res PhDs</th>
<th>grants</th>
<th>Clinically active MDs</th>
<th>R01s/P awards</th>
<th>K-awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iowa</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>15</td>
<td>7</td>
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<tr>
<td>1</td>
<td>3</td>
<td>4</td>
<td>9</td>
<td>3</td>
<td>12</td>
<td>8</td>
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<td>4</td>
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<tr>
<td>2</td>
<td>12</td>
<td>21</td>
<td>1</td>
<td>1</td>
<td>13</td>
<td>22</td>
<td>15</td>
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<td>20</td>
<td>6</td>
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<tr>
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<td>4</td>
<td>3</td>
<td>6</td>
<td>6</td>
<td>31</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>10</td>
<td>14</td>
<td>8</td>
<td>4</td>
<td>18</td>
<td>18</td>
<td>19</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>4</td>
<td>7</td>
<td>6</td>
<td>8</td>
<td>10</td>
<td>15</td>
<td>25</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>3</td>
<td>8</td>
<td>7</td>
<td>4</td>
<td>10</td>
<td>12</td>
<td>19</td>
<td>4</td>
<td>2</td>
</tr>
</tbody>
</table>
Patient Care

Clinic Visits: 40,699

Operations: 2644
Education

• **Medical Student**
  – Junior Clerkship
  – Senior Elective

• **Residents**
  – Clinical Track: 5/year X 5 years: 25
  – Research Track: 2/year X 2 years: 4

• **Fellows**
  – Otology/Neurotology: 1
  – Pediatric Otolaryngology: 2
  – Head and Neck Oncology: 1
  – Rhinology: 1
Graduate Residents Practicing in Iowa
41/85 Otolaryngologists
Department of Otolaryngology– H&NS
T-32 Training Grant  1993-

• 2 Trainees/year X 2 years: Salary NIH
• Program of Research developed during PGY-1
  • must work with NIH funded Researcher
  • Can be in any Department in COM or University
• Now NIDCD and Otolaryngology Standard
• Trainees now in Academic Positions = 5/7
Translational Research

- Iowa Cochlear Implant Clinical Research Center
- Iowa Center For Auditory Regeneration
- Iowa Head and Neck Oncology Research
Iowa Cochlear Implant Clinical Research Center

Cochlear Implants to Cure Deafness

Bruce Gantz, Richard Tyler, Paul Abbas, Carolyn Brown, Bruce Tomblin, Kate Gfeller

• Multidisciplinary Team has successfully been funded since 1985.
  – Colleges of Medicine, Liberal Arts (Psychology, Music), Engineering, and Public Health
Hearing Loss

- Third most prevalent chronic condition in older adults after hypertension and arthritis
  - 25-40% of those 65 or older are hearing impaired
- Prevalence rises with age
  - Over 75 years = 40-66%
  - Over 85 years = 80%
- 1/1000 Children Born Deaf (95% to hearing Parents)
- 10% of US Population- Significant Hearing Impairment
- Noise Exposure: Farming large problem in Iowa
Conductive Hearing Loss  Sensorineural Hearing Loss

ANATOMY Of DEAFNESS
Neurosensory Hearing Loss: Management

Profound Deafness

Cochlear Implants

» congenitally deafened children (1-12yrs)
» postlingually deafened adults
Monosyllabic Word Scores over Time: Post Lingual Adults
Age at Implantation: Effect on Language Growth Rate

Tomblin, Barker, Spencer, Zhang, Gantz, 2005
Child Implanted at 15 months
Reading Levels and Education

Improvement Over Time

CI

Manual

Average Deaf Reading Levels

Grade Equivalent

Grade

.92

.22

1.14
TB: ’06 Grad UI College of Engineering

“4 year member U of I Marching Band”
Iowa Cochlear Implant Clinical Research Center

Acoustic + Electric Hearing to Improve Word Understanding in Quiet and Noise

Bruce Gantz, Chris Turner, Kate Gfeller

Iowa/Nucleus Freedom Hybrid II

Restoring Hearing to Restoring Hearing to Aging Baby-Boomers and Severely Hearing Impaired
Expanding Indications for Electrical Speech Processing

FDA Feasibility Trial- Approved 1998

New Cochlear Implant Design

short electrode-
(0.2 X 0.4mm X 6mm/10mm)

Subjects
1) 6mm N=3 (1999-2000)
2) 10mm N=19 (2000-2006)
3) US FDA Trial N=62

Graph showing hearing levels in dB against frequency in Hz.

Word Recognition Score
R = 26% L = 30%
CNC Word Scores Over Time
Iowa 10mm Subjects

PreOp CNC: 25%
12mo CNC: 72%
12+mo CNC: 77%
Iowa Center for Auditory Regeneration

Molecular Genetics to Cure Deafness

Richard Smith
DFNA3 – caused by mutations in GJB2

Goal – to prevent the ear from making this protein and thereby prevent the deafness.
The protein causes hearing loss in a mouse......

Normal mice don’t have hearing loss
With RNAi, green color is gone and the deafness-causing protein is not made.
When we add RNAi to the mice that have the deafness-causing protein, they don’t get hearing loss.

There is no difference between groups.

Kruskal-Wallis Test; $p < 0.01$

RNAi added to this group of mice that should be deaf

Normal control mice

72hrs after treatment

(Mann-Whitney $U$-test; *$p < 0.05$; $n = 8-10$)
HPV related head and neck cancer: From men to mice and back again

John H. Lee
Disease Specific Survival of Mouth and Throat Cancer in Iowa

**Stage III or IV**
- HPV + = 76%
- HPV - = 59%

**Grade**
- HPV+ = 41%
- HPV- = 19%

**Nodes**
- HPV+ = 71%
- HPV- = 38%
Viral Infections can cause human tonsil cells to become a cancer
HPV positive tonsil cancer in Mice

A. Cancer created by infecting tonsil tissue with HPV

B. Assay created to identify the response of tumor to drug therapy
Translational Research

- Dr. Lee’s lab has defined the mechanisms of HPV related head and neck cancer.

- Now is in process of designing specific therapies aimed at blocking these mechanisms.

- Dr. Lee’s finding will allow us to test therapies directed at curing oral Cancer.

- Translational Research: mice to man and back again to cure HPV related Cancer in the head and neck.
Conclusion

- Department of O—H&NS is World Class
- Excellent Patient Care
- Outstanding Educational Environment
- Innovative Research
- Economic Engine for State of Iowa
Operating and Financial Performance Report Through December, 2005
## Volume Indicators
### July through December 2005

<table>
<thead>
<tr>
<th>Operating Review (YTD)</th>
<th>YTD Actual</th>
<th>YTD Budget</th>
<th>YTD Prior Year</th>
<th>Variance to Budget</th>
<th>Variance to Prior Year</th>
<th>Variance to Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admissions</td>
<td>12,687</td>
<td>13,063</td>
<td>12,708</td>
<td>(376)</td>
<td>-2.9%</td>
<td>(21)</td>
</tr>
<tr>
<td>Patient Days</td>
<td>86,420</td>
<td>86,345</td>
<td>89,129</td>
<td>75</td>
<td>0.1%</td>
<td>(2,709)</td>
</tr>
<tr>
<td>Length of Stay</td>
<td>6.81</td>
<td>6.61</td>
<td>7.01</td>
<td>0.20</td>
<td>3.1%</td>
<td>(0.20)</td>
</tr>
<tr>
<td>Average Daily Census</td>
<td>469.67</td>
<td>469.27</td>
<td>484.40</td>
<td>0.41</td>
<td>0.1%</td>
<td>(14.72)</td>
</tr>
<tr>
<td>Surgeries - Inpatient</td>
<td>5,113</td>
<td>5,080</td>
<td>5,031</td>
<td>33</td>
<td>0.7%</td>
<td>82</td>
</tr>
<tr>
<td>Surgeries - Outpatient</td>
<td>5,322</td>
<td>5,594</td>
<td>5,417</td>
<td>(272)</td>
<td>-4.9%</td>
<td>(95)</td>
</tr>
<tr>
<td>Emergency Treatment Center Visits</td>
<td>17,202</td>
<td>16,437</td>
<td>16,194</td>
<td>765</td>
<td>4.7%</td>
<td>1,008</td>
</tr>
<tr>
<td>Outpatient Clinic Visits</td>
<td>329,257</td>
<td>345,236</td>
<td>334,481</td>
<td>(15,979)</td>
<td>-4.6%</td>
<td>(5,224)</td>
</tr>
</tbody>
</table>

**Legend:**
- **Greater than 2.5% Favorable**
- **Neutral**
- **Greater than 2.5% Unfavorable**
### Comparative Accounts Receivable

**as of December 31, 2005**

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2004</th>
<th>June 30, 2005</th>
<th>December 31, 2005</th>
<th>Median Moody’s Aa Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Accounts Receivable</td>
<td>$293,860,815</td>
<td>$278,551,170</td>
<td>$255,727,257</td>
<td>na</td>
</tr>
<tr>
<td>Net Accounts Receivable</td>
<td>$110,344,338</td>
<td>$93,964,049</td>
<td>$82,405,768</td>
<td>na</td>
</tr>
<tr>
<td>Net Days in AR</td>
<td>72</td>
<td>57</td>
<td>48</td>
<td>56</td>
</tr>
</tbody>
</table>

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

ALL ACUTE CASE MIX INDEX VALUES SHOWN ABOVE INCLUDE NEWBORN NURSERY

MEDICARE CASE MIX INDEX EXCLUDES DEPT OF PSYCH

** ALMANAC OF HOSPITAL FINANCIAL OPERATING INDICATORS, 2006 CHIPS
A TEACHING HOSPITAL IS ONE AT WHICH MEDICAL GRADUATES TRAIN AS RESIDENTS.
### Comparative Financial Results - July through December 2005

#### NET REVENUES:

<table>
<thead>
<tr>
<th></th>
<th>YTD Actual</th>
<th>YTD Budget</th>
<th>YTD Prior Year</th>
<th>Variance to Budget</th>
<th>% Variance to Budget</th>
<th>Variance to Prior Year</th>
<th>% Variance to Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Pay Patient Rev.</td>
<td>$328,521</td>
<td>$338,348</td>
<td>$294,859</td>
<td>($9,827)</td>
<td>-2.9%</td>
<td>$33,662</td>
<td>11.4%</td>
</tr>
<tr>
<td>Appropriations</td>
<td>6,703</td>
<td>6,703</td>
<td>20,345</td>
<td>0</td>
<td>0.0%</td>
<td>(13,642)</td>
<td>-67.1%</td>
</tr>
<tr>
<td>Other Operating Rev.</td>
<td>19,156</td>
<td>19,522</td>
<td>19,617</td>
<td>(366)</td>
<td>-1.9%</td>
<td>(461)</td>
<td>-2.4%</td>
</tr>
<tr>
<td>Total</td>
<td>$354,381</td>
<td>$364,573</td>
<td>$334,822</td>
<td>($10,192)</td>
<td>-2.8%</td>
<td>$19,559</td>
<td>5.8%</td>
</tr>
</tbody>
</table>

#### EXPENSES:

<table>
<thead>
<tr>
<th></th>
<th>YTD Actual</th>
<th>YTD Budget</th>
<th>YTD Prior Year</th>
<th>Variance to Budget</th>
<th>% Variance to Budget</th>
<th>Variance to Prior Year</th>
<th>% Variance to Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Wages</td>
<td>$181,665</td>
<td>$188,505</td>
<td>$174,308</td>
<td>($6,840)</td>
<td>-3.6%</td>
<td>$7,357</td>
<td>4.2%</td>
</tr>
<tr>
<td>General Expenses</td>
<td>134,957</td>
<td>140,324</td>
<td>127,709</td>
<td>(5,368)</td>
<td>-3.8%</td>
<td>7,248</td>
<td>5.7%</td>
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<tr>
<td>Depreciation</td>
<td>24,719</td>
<td>24,359</td>
<td>24,022</td>
<td>360</td>
<td>1.5%</td>
<td>697</td>
<td>2.9%</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>$341,340</td>
<td>$353,188</td>
<td>$326,039</td>
<td>($11,848)</td>
<td>-3.4%</td>
<td>$15,302</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

Operating Margin

<table>
<thead>
<tr>
<th></th>
<th>YTD Actual</th>
<th>YTD Budget</th>
<th>YTD Prior Year</th>
<th>Variance to Budget</th>
<th>% Variance to Budget</th>
<th>Variance to Prior Year</th>
<th>% Variance to Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Margin</td>
<td>$13,040</td>
<td>$11,385</td>
<td>$8,783</td>
<td>$1,656</td>
<td>14.5%</td>
<td>$4,257</td>
<td>48.5%</td>
</tr>
</tbody>
</table>

Operating Margin %

<table>
<thead>
<tr>
<th></th>
<th>YTD Actual</th>
<th>YTD Budget</th>
<th>YTD Prior Year</th>
<th>Variance to Budget</th>
<th>% Variance to Budget</th>
<th>Variance to Prior Year</th>
<th>% Variance to Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Margin</td>
<td>3.7%</td>
<td>3.1%</td>
<td>2.6%</td>
<td>0.6%</td>
<td>19.4%</td>
<td>1.1%</td>
<td>42.3%</td>
</tr>
</tbody>
</table>

**NOTE:** all dollar amounts are in thousands
Operating and Financial Performance Report Through February, 2006
### Volume Indicators

**July 2005 through February 2006**

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
<th>Prior Year</th>
<th>Variance to Budget</th>
<th>% Variance to Budget</th>
<th>Variance to Prior Year</th>
<th>% Variance to Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Review (YTD)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Admissions</td>
<td>16,888</td>
<td>17,135</td>
<td>16,568</td>
<td>(247)</td>
<td>-1.4% ○</td>
<td>320</td>
<td>1.9% ○</td>
</tr>
<tr>
<td>Patient Days</td>
<td>114,105</td>
<td>112,707</td>
<td>117,320</td>
<td>1,398</td>
<td>1.2% ○</td>
<td>(3,215)</td>
<td>-2.7% ●</td>
</tr>
<tr>
<td>Length of Stay</td>
<td>6.76</td>
<td>6.58</td>
<td>7.08</td>
<td>0.18</td>
<td>2.7% ●</td>
<td>(0.32)</td>
<td>-4.6% ●</td>
</tr>
<tr>
<td>Average Daily Census</td>
<td>469.57</td>
<td>463.81</td>
<td>482.80</td>
<td>5.76</td>
<td>1.2% ○</td>
<td>(13.23)</td>
<td>-2.7% ●</td>
</tr>
<tr>
<td>Surgeries - Inpatient</td>
<td>6,727</td>
<td>6,606</td>
<td>6,543</td>
<td>121</td>
<td>1.8% ○</td>
<td>184</td>
<td>2.8% ●</td>
</tr>
<tr>
<td>Surgeries - Outpatient</td>
<td>7,106</td>
<td>7,267</td>
<td>7,037</td>
<td>(161)</td>
<td>-2.2% ○</td>
<td>69</td>
<td>1.0% ○</td>
</tr>
<tr>
<td>Emergency Treatment Center Visits</td>
<td>22,761</td>
<td>21,796</td>
<td>21,474</td>
<td>965</td>
<td>4.4% ●</td>
<td>1,287</td>
<td>6.0% ●</td>
</tr>
<tr>
<td>Outpatient Clinic Visits</td>
<td>437,842</td>
<td>451,942</td>
<td>437,863</td>
<td>(14,100)</td>
<td>-3.1% ●</td>
<td>(21)</td>
<td>0.0% ○</td>
</tr>
</tbody>
</table>

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

- Greater than 2.5% Favorable
- Neutral
- Greater than 2.5% Unfavorable
## University of Iowa Hospitals and Clinics

### Comparative Accounts Receivable

**as of February 28, 2006**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Accounts Receivable</td>
<td>$110,344,338</td>
<td>$93,964,049</td>
<td>$78,408,264</td>
<td>na</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Net Days in AR

| Net Days in AR | 72 | 57 | 49 | 56 |

### Days of Revenue in Net A/R

- **University of Iowa Hospitals and Clinics**
- **Comparative Accounts Receivable**
- **as of February 28, 2006**

<table>
<thead>
<tr>
<th>Date</th>
<th>Days of Revenue in Net A/R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun-03</td>
<td>110</td>
</tr>
<tr>
<td>Aug-03</td>
<td>100</td>
</tr>
<tr>
<td>Oct-03</td>
<td>107</td>
</tr>
<tr>
<td>Dec-03</td>
<td>104</td>
</tr>
<tr>
<td>Feb-04</td>
<td>101</td>
</tr>
<tr>
<td>Apr-04</td>
<td>87</td>
</tr>
<tr>
<td>Jun-04</td>
<td>79</td>
</tr>
<tr>
<td>Aug-04</td>
<td>79</td>
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<td>Oct-04</td>
<td>78</td>
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<tr>
<td>Dec-04</td>
<td>78</td>
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<tr>
<td>Feb-05</td>
<td>70</td>
</tr>
<tr>
<td>Apr-05</td>
<td>69</td>
</tr>
<tr>
<td>Jun-05</td>
<td>61</td>
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<td>Aug-05</td>
<td>62</td>
</tr>
<tr>
<td>Oct-05</td>
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<td>Dec-05</td>
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<tr>
<td>Jun-06</td>
<td>57</td>
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<tr>
<td>Aug-06</td>
<td>59</td>
</tr>
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<td>Oct-06</td>
<td>57</td>
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<tr>
<td>Dec-06</td>
<td>57</td>
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<tr>
<td>Feb-07</td>
<td>53</td>
</tr>
<tr>
<td>Apr-07</td>
<td>51</td>
</tr>
<tr>
<td>Jun-07</td>
<td>50</td>
</tr>
<tr>
<td>Aug-07</td>
<td>49</td>
</tr>
<tr>
<td>Oct-07</td>
<td>48</td>
</tr>
<tr>
<td>Dec-07</td>
<td>48</td>
</tr>
<tr>
<td>Feb-08</td>
<td>49</td>
</tr>
</tbody>
</table>

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

**ALL ACUTE CASE MIX INDEX VALUES SHOWN ABOVE INCLUDE NEWBORN NURSERY**

**MEDICARE CASE MIX INDEX EXCLUDES DEPT OF PSYCH**

**ALMANAC OF HOSPITAL FINANCIAL OPERATING INDICATORS, 2006 CHIPS**

A TEACHING HOSPITAL IS ONE AT WHICH MEDICAL GRADUATES TRAIN AS RESIDENTS.
## Comparative Financial Results
### July 2005 through February 2006

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
<th>Prior Year</th>
<th>Variance to Budget</th>
<th>Variance to Budget</th>
<th>Variance to Prior Year</th>
<th>Variance to Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Pay Patient Rev.</td>
<td>$438,904</td>
<td>$444,868</td>
<td>$391,294</td>
<td>($5,964)</td>
<td>-1.3%</td>
<td>$47,610</td>
<td>12.2%</td>
</tr>
<tr>
<td>Appropriations</td>
<td>8,938</td>
<td>8,938</td>
<td>27,127</td>
<td>0</td>
<td>0.0%</td>
<td>(18,189)</td>
<td>-67.1%</td>
</tr>
<tr>
<td>Other Operating Rev.</td>
<td>25,429</td>
<td>25,936</td>
<td>26,105</td>
<td>(507)</td>
<td>-2.0%</td>
<td>(676)</td>
<td>-2.6%</td>
</tr>
<tr>
<td>Total</td>
<td>$473,271</td>
<td>$479,742</td>
<td>$444,526</td>
<td>($6,471)</td>
<td>-1.3%</td>
<td>$28,745</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

| **EXPENSES:**        |            |           |            |                    |                    |                        |                        |
| Salaries and Wages   | $243,822   | $248,825  | $233,254   | ($5,003)           | -2.0%              | $10,568                | 4.5%                   |
| General Expenses     | 178,818    | 184,610   | 167,141    | (5,792)            | -3.1%              | 11,677                 | 7.0%                   |
| Depreciation         | 33,962     | 32,479    | 31,950     | 1,483              | 4.6%               | 2,012                  | 6.3%                   |
| Interest Expense     | -          | -         | -          | -                  | 0.0%               | -                      | 0.0%                   |
| Total                | $456,602   | $465,914  | $432,345   | ($9,312)           | -2.0%              | $24,257                | 5.6%                   |

| Operating Margin     | $16,669    | $13,828   | $12,181    | $2,841             | 20.5%              | $4,488                 | 36.8%                  |
| Operating Margin %    | 3.5%       | 2.9%      | 2.7%       | 0.6%               | 20.7%              | 0.8%                   | 29.6%                  |

**NOTE:** all dollar amounts are in thousands
FYTD December 2005
Institutional Scorecard
## FY2006 Institutional Scorecard

<table>
<thead>
<tr>
<th>Indicator</th>
<th>FY '05 Actual</th>
<th>Dec-05</th>
<th>FY '06 Target</th>
<th>FY '06 Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INNOVATIVE CARE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Share</td>
<td>6.9% [A]</td>
<td>n/a [B]</td>
<td>7.3%</td>
<td>3% improvement over CY '04 [A]</td>
</tr>
<tr>
<td>Acute Admissions</td>
<td>25,063</td>
<td>25,095 [C]</td>
<td>25,839</td>
<td>UIHC Budget for 2.5 % growth</td>
</tr>
<tr>
<td>Clinic Visits</td>
<td>668,456</td>
<td>658,015 [C]</td>
<td>693,348</td>
<td>UIHC Budget for 2% growth</td>
</tr>
<tr>
<td>Average Length of Stay</td>
<td>6.99</td>
<td>6.81</td>
<td>6.50</td>
<td>UIHC Budget for 1/2 day reduction</td>
</tr>
<tr>
<td><strong>EXCELLENT SERVICE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External Referrals</td>
<td>179,198</td>
<td>167,118 [C]</td>
<td>184,574</td>
<td>3% average annual growth</td>
</tr>
<tr>
<td>Patient Satisfaction - Adult</td>
<td>81.7</td>
<td>82.0</td>
<td>84.0</td>
<td>3% improvement in score</td>
</tr>
<tr>
<td>Patient Satisfaction - Pediatric</td>
<td>84.1</td>
<td>84.2</td>
<td>86.6</td>
<td>3% improvement in score</td>
</tr>
<tr>
<td><strong>EXCEPTIONAL OUTCOMES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Observed/Expected Mortality Ratio</td>
<td>0.77</td>
<td>0.78</td>
<td>less than 1.0</td>
<td>UHC</td>
</tr>
<tr>
<td><strong>STRATEGIC SUPPORT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost Per Adjusted Discharge</td>
<td>$8,941</td>
<td>$8,573</td>
<td>$8,888</td>
<td>UIHC Budget</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>3.03%</td>
<td>3.68%</td>
<td>3.20%</td>
<td>UIHC Budget</td>
</tr>
<tr>
<td>Earnings Before Interest, Taxes, Depreciation and Amortization</td>
<td>$71,937,422</td>
<td>$75,941,515 [C]</td>
<td>$71,888,599</td>
<td>UIHC Budget</td>
</tr>
<tr>
<td>Employee Vacancy Rate</td>
<td>2.0%</td>
<td>1.9%</td>
<td>3.0%</td>
<td>Internal</td>
</tr>
</tbody>
</table>

**Notes:**
- **CMI adjusted**
- [A] FY '05 actual subject to change by IHA for missing data, CY 2004 Market share was 7.1%
- [B] FY 2006 Q1 & Q2 expected May 2006
- [C] Trended Annual Projection from December 2005 YTD actuals: Acute admissions: 12,687; Clinic visits (UIHC only): 329,257; External Referals: 84,488 EBITDA: $37,759,046
## Institutional Scorecard Definitions

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INNOVATIVE CARE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Market Share</strong></td>
<td>Market share of acute inpatient discharges for Iowa residents from Iowa Hospitals averaged for the last four available quarters [excluding MDC 19 (mental disease), 20 (alcohol/drug) and 25 (HIV), per HIPAA requirements]</td>
<td>Iowa Hospital Association</td>
</tr>
<tr>
<td><strong>Acute Admissions</strong></td>
<td>Number of acute adult &amp; pediatric patients admitted (excludes normal newborns)</td>
<td>Hospital Records</td>
</tr>
<tr>
<td><strong>Clinic Visits</strong></td>
<td>Total number of UIHC clinic visits (excludes Outreach and Community Medical Services locations)</td>
<td>Hospital Records</td>
</tr>
<tr>
<td><strong>Average Length of Stay</strong></td>
<td>Total inpatient days / total discharges for all acute care patients</td>
<td>Hospital Records</td>
</tr>
<tr>
<td><strong>EXCELLENT SERVICE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>External Referrals</strong></td>
<td>Total number of visits originating from external referrals</td>
<td>IDX or Report2Web</td>
</tr>
<tr>
<td><strong>Patient Satisfaction - Adult</strong></td>
<td>Mean score of adult inpatient surveys (all standard questions) returned for the past 12 months</td>
<td>Press-Ganey Satisfaction Survey</td>
</tr>
<tr>
<td><strong>Patient Satisfaction - Pediatric</strong></td>
<td>Mean score of pediatric inpatient surveys (all standard questions) returned for the past 12 months</td>
<td>Press-Ganey Satisfaction Survey</td>
</tr>
<tr>
<td><strong>EXCEPTIONAL OUTCOMES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Observed/Expected Mortality Ratio</strong></td>
<td>Observed mortality rate for 100% acute discharge/ UHC risk adjusted expected mortality rate for the last four available quarters</td>
<td>CORM</td>
</tr>
<tr>
<td><strong>STRATEGIC SUPPORT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost Per Adjusted Discharge</strong></td>
<td>Operating costs / ((gross patient charges/total gross inpatient charges) *(total patient admissions excluding newborns) *Case mix index)</td>
<td>Hospital Records</td>
</tr>
<tr>
<td><strong>Operating Margin</strong></td>
<td>Operating income/Net operating revenue</td>
<td>Hospital Records</td>
</tr>
<tr>
<td><strong>Earnings Before Interest, Taxes, Depreciation and Amortization</strong></td>
<td>Revenue less expenses (excluding interest, tax, depreciation, and amortization)</td>
<td>Hospital Records</td>
</tr>
<tr>
<td><strong>Employee Vacancy Rate</strong></td>
<td>Total number of actively recruited positions / total number of allocated positions</td>
<td>HR Database</td>
</tr>
</tbody>
</table>
FY2007 Environmental Assessment
FY2007 Environmental Assessment*

- **Reimbursement Issues and Rates**
  - Medicare
  - Medicaid
  - IowaCare
  - State Institution Patients
  - Others – Commercial, Managed Care, and Self-pay

- **Operating Expenses**
  - Salaries & Wages
  - Benefits
  - Supplies
  - Drugs
  - Medical Directorships
  - Maintenance Contracts
  - Depreciation Expense
  - Other Operating Expense

*Does not include effect of volume increases, charge increases, or payment rate increases from commercial and managed care payors.*
FY2007 Environmental Assessment

Reimbursement Issues and Rates

✓ Medicare

• President’s proposed FY 2007 Budget
• Proposes “$36 billion cut” over 5 years.
  • Reduces Medicare inpatient and outpatient hospital payment update by 0.45% in FY 2007 from 3.25% to 2.80%, and reduces payment update by 0.40% in FYs 2008 and 2009.
  • Bad Debt recovery payments phased out over 4 years from 80.0% to 0.0%.
• UIHC Medicare Impact:

<table>
<thead>
<tr>
<th>FY 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
</tr>
<tr>
<td>$161.0 M</td>
</tr>
<tr>
<td>Expected Increase</td>
</tr>
<tr>
<td>$ 5.2 M</td>
</tr>
<tr>
<td>Reduction</td>
</tr>
<tr>
<td>$(.6 M)</td>
</tr>
<tr>
<td>Revised</td>
</tr>
<tr>
<td>$165.6 M</td>
</tr>
</tbody>
</table>
FY2007 Environmental Assessment

Reimbursement Issues and Rates

✓ Medicaid

• FY2006 – Medicaid Rebasing
• FY2007 – DHS has requested approval from CMS for a 3% Rate Increase

• UIHC Medicaid Projected Impacts:

<table>
<thead>
<tr>
<th></th>
<th>FY 2006</th>
<th>FY 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td>$74.7 M</td>
<td>$73.7 M</td>
</tr>
<tr>
<td>Change</td>
<td>$(1.0 M)</td>
<td>$ 2.2 M</td>
</tr>
<tr>
<td>Revised</td>
<td>$73.7 M</td>
<td>$75.9 M</td>
</tr>
</tbody>
</table>
FY2007 Environmental Assessment

Other Medicaid Issues

✓ Medicaid/SCHIP: proposes $13.6 billion cut over 5 years

• **Highlights:**
  • Phasing down the allowable provider tax rate from 6 percent to 3 percent.
  • Capping "payments to government providers to no more than the cost of furnishing services to Medicaid beneficiaries" (such a proposal presumably will impact intergovernmental transfers and upper payment limits).
  • Medicaid: increased cost-to-collect and bad debts as Medicaid population is moved to having more cost sharing, and Medicaid eligibility limited.
FY2007 Environmental Assessment

Reimbursement Issues and Rates

✓ IowaCare

- UIHC IowaCare over-earning projections based on Iowa Medicaid Rates:
  - FY06: $(11M)
  - FY07: $(12.2M)
- This assumes IowaCare utilization is flat in FY07. The actual FY07 appropriation is unknown at this point. Above estimate assumes that it is flat at $27.3M.
- FY06 over-earning may be reduced if DHS/CMS finalizes a plan to add $5M additional payments in FY06.
- No physician reimbursement.
FY2007 Environmental Assessment

Reimbursement Issues and Rates

✓ State Institution Patients

• State Institution Unpaid (based on Iowa Medicaid Rates)
  FY06 FY07
  $(5.5M) $(6.2M)

• FY07 assumes a 3% Medicaid rate increase, and a 10% volume increase. As a comparison, FY06 projected over FY05 was a 17% increase.

• No physician reimbursement.
FY2007 Environmental Assessment

Reimbursement Issues and Rates

☑ Others

• Wellmark – FY07
  • UIHC will receive July 1 update proposal on April 1st.
  • Reimbursement structure changes: outpatient surgery will change on 7/1/06 and inpatient will change on 10/1/06.
  • Medicare Advantage – potential long-term movement of patients from traditional Medicare to Managed Medicare Care plans. Potential for erosion of rates and increased denial activity.

• Other Managed Care Payors
  • Movement of Outpatient business to Ambulatory Payment Classification (APC) methodology (vs. percent of charge methodology).
  • Introduction of Health Savings Account (HSA’s) in the marketplace will greatly increase the patient’s out-of-pocket expense, and result in a rise in the cost-to-collect, and potentially increase bad debt.
## FY2007 Environmental Assessment

### Operating Expenses

#### Salaries & Wages

<table>
<thead>
<tr>
<th></th>
<th>Percent Change</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEIU</td>
<td>4.35 to 4.50%</td>
<td>$ 4.9 Million</td>
</tr>
<tr>
<td>AFSCME</td>
<td>≈ 5.0%</td>
<td>3.9</td>
</tr>
<tr>
<td>Professional and Scientific</td>
<td>4.5%</td>
<td>3.2</td>
</tr>
<tr>
<td>Other</td>
<td>3.0%</td>
<td>.4</td>
</tr>
</tbody>
</table>

- **Total Salary and Wages**: $12.4 million
- **Benefits**: $10.0 million
FY2007 Environmental Assessment

Operating Expenses

✓ Supplies
  • Expected medical supply inflation rate of 4.0% causes $3.4 million in supply cost inflation.

✓ Drugs
  • Expected drug cost inflation rate of 7.0% causes $3.8 million in drug cost inflation.

✓ Medical Directorships
  • Addition of 84 medical directorships as per the “Purchased Services Agreement” at an annual cost of $2.7 million.
FY2007 Environmental Assessment

Operating Expenses

✔ Maintenance Contracts
  • Addition of $1 million annually for linear accelerators and other equipment in the Radiation Oncology Center of Excellence.

✔ Utilities
  • Increase due to energy costs projected at $1.9 million.

✔ Depreciation Expense
  • Increase of approximately $6.7 million due to the capitalization of various projects.

✔ Other Operating Expense
  • Inflationary increases on other items ranging from 2.5 to 4.5% resulting in approximately $3.8 million in annual operating expenses.
Summary FY2007 Environmental Factors

In Fiscal Year 2007, UIHC will:

- face significant cost inflation;
- feel the effects of government rates that are not keeping pace with rising costs – Medicare, Medicaid, IowaCare and State institutions;
- need to build programs and volume;
- need to continue working on improving efficiencies;
- experience unknown rate increases and major reimbursement changes from Wellmark and other commercial payors.
Summary FY2007 Environmental Assessment*

- **Reimbursement Issues and Rates**
  - Medicare: $4.6 Million
  - Medicaid: 2.2
  - IowaCare: (1.2)
  - State Institution Patients: (0.7)
  - Others – Commercial, Managed Care, and Self-pay: ?

  $4.9 Million

- **Operating Expenses**
  - Salaries & Wages: $12.4 Million
  - Benefits: 10.0
  - Supplies: 3.4
  - Drugs: 3.8
  - Medical Directorships: 2.7
  - Maintenance Contracts: 1.0
  - Utilities: 1.9
  - Depreciation Expense: 6.7
  - Other Operating Expense: 3.8

  $45.7 Million

* Does not include effect of volume increases, charge increases, or payment rate increases from commercial and managed care payors.
IowaCare Update
UIHC Experience with IowaCare and Chronic Care Patients through January 31, 2006

- 13,928 people were enrolled statewide in IowaCare or Chronic Care. Over 18,000 people have been enrolled at some point in time.

- 5,109 different IowaCare or Chronic Care patients have already been seen at the UIHC.

- 31% of the people who have had or currently are scheduled for an appointment at the UIHC previously had a State Paper or an Ortho Paper.

- 22,193 visits for IowaCare or Chronic Care patients have already occurred at the UIHC.

- Anticipated Medicaid reimbursement associated with the UIHC services is $20.9 M while the equal monthly payments received total $15.9 M.

- The value of donated physician services at the UIHC for IowaCare or Chronic Care patients not counted against the appropriation is $20.4 M.

- The UIHC has subsidized patient transportation for IowaCare and Chronic Care patients by $0.5 M.
IowaCare Makes Up Most of Iowa’s Lost Intergovernmental Transfer (IGT) Funding

- IowaCare is financed by utilizing local, state and federal dollars totaling $90.2 M.

- State and local funding consists of money previously devoted to the Indigent Patient Care Program, a portion of the Polk County tax levy dollars used to support Broadlawns, state dollars previously devoted to care at the state mental health institutes, and some state money utilized for disproportionate share payments.

- IowaCare beneficiaries may only receive covered services at Broadlawns (Polk County residents only), a mental health institute (Cherokee, Clarinda, Independence, or Mt. Pleasant), or the University of Iowa Hospitals and Clinics.

- By making people previously served with state and local dollars eligible for Medicaid match, the state reduces its cost of caring for these people by approximately 2/3rds (the Federal match rate).

- Iowa expects to replace all but $12.9 M in revenues lost from discontinuation of intergovernmental transfers.
IowaCare Program Features

- Premium payment requirement
- Potential for mid-year benefit reductions
- Limited retroactive coverage, if requested at time of application
- Lack of Drug & Durable Medical Equipment coverage
- Lodging not covered
- Transportation not required
IowaCare & Chronic Care Enrollment
(net of disenrollments)

Source: Iowa Department of Human Services
Enrollment in IowaCare & Chronic Care as of January 31, 2006
(net of disenrollments)

Total Enrollment 13,928

Source: Iowa Department of Human Services
Demographics

**IowaCare**

- **Gender**: 46% Male, 54% Female

- **Age Distribution**:
  - < 20: 7%
  - 20-30: 26%
  - 30-40: 33%
  - 40-50: 17%
  - 50-60: 16%

**Chronic Care**

- **Gender**: 47% Male, 53% Female

- **Age Distribution**:
  - < 20: 1%
  - 20-30: 17%
  - 30-40: 16%
  - 40-50: 33%
  - 50-60: 26%
  - >60: 4%
## Most Common DRGs for IowaCare Patients
Seen at the UIHC through January 31, 2006

<table>
<thead>
<tr>
<th>Rank</th>
<th>DRG</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>25 Seizure &amp; Headache Age &gt; 17 w/o CC</td>
</tr>
<tr>
<td>2 tie</td>
<td>410 Chemotherapy w/o Acute Leukemia as 2\textsuperscript{nd} Diag</td>
</tr>
<tr>
<td>2 tie</td>
<td>124 Circulatory Disorders except AMI, w Card Cath &amp; Complex Diag</td>
</tr>
<tr>
<td>2 tie</td>
<td>148 Major Small &amp; Large Bowel Procedures w CC</td>
</tr>
<tr>
<td>2 tie</td>
<td>202 Cirrhosis &amp; Alcoholic Hepatitis</td>
</tr>
<tr>
<td>6</td>
<td>125 Circulatory Disorders Except AMI, w Card Cath w/o Complex Diag</td>
</tr>
<tr>
<td>7</td>
<td>415 O.R. Procedure for Infectious &amp; Parasitic Diseases</td>
</tr>
<tr>
<td>8</td>
<td>449 Poisoning &amp; Toxic Effects of Drugs Age &gt; 17 w CC</td>
</tr>
<tr>
<td>9</td>
<td>75 Major Chest Procedures</td>
</tr>
<tr>
<td>10 tie</td>
<td>418 Postoperative &amp; Post-Traumatic Infections</td>
</tr>
<tr>
<td>10 tie</td>
<td>143 Chest Pain</td>
</tr>
</tbody>
</table>
Most Common Outpatient Diagnoses for IowaCare Patients Seen at the UIHC through January 31, 2006

<table>
<thead>
<tr>
<th>Rank</th>
<th>Diagnosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>V58.0  Encounter for RadioRx</td>
</tr>
<tr>
<td>2</td>
<td>250.00 DM2/NOS Uncomp NSU</td>
</tr>
<tr>
<td>3</td>
<td>401.9  Hypertension NOS</td>
</tr>
<tr>
<td>4</td>
<td>786.50 Chest Pain NOS</td>
</tr>
<tr>
<td>5</td>
<td>724.2   Lumbago</td>
</tr>
<tr>
<td>6</td>
<td>070.54 CHR VH c w/o COMA</td>
</tr>
<tr>
<td>7</td>
<td>V58.49 Oth Spec P/O Aftercare</td>
</tr>
<tr>
<td>8</td>
<td>789.00 Abdominal Pain – Site NOS</td>
</tr>
<tr>
<td>9</td>
<td>719.46 Joint Pain – Lower Leg</td>
</tr>
<tr>
<td>10</td>
<td>366.16 Senile Nuclear Cataract</td>
</tr>
</tbody>
</table>
Prescription Drug and Durable Medical Equipment Coverage

- Inpatient medications as well as discharge prescriptions for IowaCare recipients are covered (up to 10 days post discharge) but then it is the patient’s responsibility to pay for any continuing needs.

- Drugs administered during a clinic visit are covered.

- Prescriptions to be used on an outpatient basis are not covered, except that former State Papers recipients with chronic conditions continue to receive drugs associated with their chronic condition but do not have coverage for new conditions.

- IowaCare does not provide outpatient DME coverage.

- A random chart audit of IowaCare outpatients seen at the UIHC found 26% made reference to necessary DME items.

- As discussed at the last Board of Regents meeting, the UIHC estimates additional funding of $3-5 M would be needed to cover outpatient prescriptions for its IowaCare patients, and an additional $1 M would be needed to cover the DME needs of this same patient population.
### DHS’s IowaCare Medical Claims Projections for FY 06

<table>
<thead>
<tr>
<th>Provider</th>
<th>Appropriation Per HF 841</th>
<th>Projected IowaCare Medical Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broadlawns</td>
<td>$38,500,000*</td>
<td>$14,294,864</td>
</tr>
<tr>
<td>Mental Health Institutions</td>
<td>$25,874,211</td>
<td>$13,779,821</td>
</tr>
<tr>
<td>University of Iowa Hospitals and Clinics</td>
<td>$27,284,584</td>
<td>$37,862,932</td>
</tr>
</tbody>
</table>

Source: Iowa Department of Human Services, March 2006

* Original appropriation was $37 million, but DHS estimates that Broadlawns will receive an additional $1.5 million in Disproportionate Share Hospitals funding.
Director’s Report

Donna Katen-Bahensky

Director and Chief Executive Officer
Director’s Report

I. Updated Annual Work Plan
II. Economic Impact / Community Benefit
III. Recognition and Awards
IV. Lean Sigma
V. ACGME Site Visit
VI. Supply Chain Initiatives
VII. Ambulatory Care RFP
VIII. Clinical Information System
IX. Staff Engagement Survey
X. Patient Safety Unit
XI. Iowa Healthcare Collaborative
XII. Other
## Updated Draft of Trustees’ Annual Work Plan

<table>
<thead>
<tr>
<th>May 3-4, 2006</th>
<th>June 21-22, 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cedar Falls</td>
<td>Okoboji</td>
</tr>
</tbody>
</table>

- **May 3-4, 2006**
  1. Director’s Report
  2. Operating and Financial Performance Report for Third Quarter FY2006
  3. Update on IowaCare
  4. Preliminary FY2007 Budget and Proposed Rate Increase
  5. Investment in Recruitment of Clinical Leadership with CCOM
  6. Information Technology Strategies and Applications – Mr. Lee Carmen and Dr. Dan Fick

- **June 21-22, 2006**
  1. Director’s Report
  2. Operating and Financial Performance Report Through April, 2006
  3. Update on IowaCare
  4. Final FY2007 Budget and Rate Increase Approval
  5. Hospital-to-hospital Transfers
# UIHC Economic Impact

<table>
<thead>
<tr>
<th></th>
<th>Johnson County</th>
<th>State of Iowa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Health Care Jobs</td>
<td>7,158</td>
<td>7,480</td>
</tr>
<tr>
<td>Total Jobs Tied to UIHC</td>
<td>12,404</td>
<td>16,027</td>
</tr>
<tr>
<td>Direct Worker Income</td>
<td>$338 M</td>
<td>$349 M</td>
</tr>
<tr>
<td>Total Income Tied to UIHC</td>
<td>$458 M</td>
<td>$610 M</td>
</tr>
<tr>
<td>Taxable Retail Sales</td>
<td>$165 M</td>
<td>$212 M</td>
</tr>
<tr>
<td>Sales Tax Revenue</td>
<td>$8.3 M</td>
<td>$10.6 M</td>
</tr>
</tbody>
</table>

Sources: Minnesota IMPLAN Group, Inc., Iowa Hospital Association, UIHC Audited Financial Statement
Recognition and Awards

- Women of Influence
  - Linda Q. Everett
- Doctor’s Day at UIHC
- BlueCross BlueShield National Center of Excellence in Bariatric Surgery
- Lung Transplants
  - UIHC received approval for a lung transplant program from UNOS
Lean Sigma – Center for Digestive Diseases
(February 13 – 17, 2006)

• Focus Areas
  – Patient Flow – improving patient satisfaction by reducing wait time and overall length of stay
  – Slot Availability (Capacity) – improving patient and referring doctor satisfaction by expanding access and reducing the lead time from Consult to Procedure

• Initial State (example)
  – Patient can wait in one of 4 different areas after check-in
  – If delayed, patient may wait in some other remote area (library, cafeteria, etc.)
  – Patient’s family could be in any of these locations

• After Improvements (example)
  – Patient and family provided with pager at check-in
  – No lost staff time searching for patients or family
  – Patient and family are processed more quickly
  – Patient and family satisfaction is improved due to timely feedback of patient status and results
ACGME Site Visit

- The Accreditation Council for Graduate Medical Education is a private, non-profit council that evaluates and accredits medical residency programs in the United States.

- The Accreditation Council for Graduate Medical Education (ACGME) is responsible for the Accreditation of post-MD medical training programs within the United States. Accreditation is accomplished through a peer review process and is based upon established standards and guidelines.

- ACGME conducted a site visit at UIHC on March 7, 2006.

- Surveyor met with GME Office Staff, Residents, Program Directors, Hospital Director and CEO.
Supply Chain Initiatives

• Savings YTD December: $3.9 Million

• Disposable endo-mechanical device standardization
  – Annual savings projected at $500,000

• PeopleSoft Inventory Management Implementation
  – Recently completed fit-gap analysis
  – Official project kick-off held on March 8, 2006
  – Next steps: define project charter

• Vendor Fairs
  – Monthly vendor fairs for outside vendors to showcase products and demonstrate cost-saving technologies
  – Internal vendor fairs to acquaint staff with economical options for acquiring supplies from internal sources
Ambulatory Care Consultation

- RFP issued for consultation services to determine the best organizational, management, operational, and financial structure for the ambulatory clinics.
  - December 22, 2005: Issuance of RFP
  - January 9, 2006: Due Date for Vendor Questions
  - January 13, 2006: Responses to Vendor Questions Issued
  - January 18, 2006: Due Date for RFP
- RFP sent to five vendors, three submitted a response
  - March 9-10, 2006: Vendor presentations (2 finalists)
Clinical Information System

• Seeking fully functional integrated solution for a Clinical Information System that meets the needs of research, ambulatory and inpatient settings.

• The scope of this effort includes:
  – Computer-based Patient Record (CPR)
    • clinical documentation
    • order entry
  – Pharmacy Management
  – Laboratory Management
  – Radiology Management
Clinical Information System – Project Overview

Phase I: RFP Development (Aug 23 - Dec 14)
- Requirements Gathering
- Scoring Model Development
- RFP Creation

Complete

Phase II: Vendor Evaluation and Selection (Feb 10 – Jun 26)
- Evaluate RFP Responses
- Assess Onsite Presentations
- Select Vendor
Clinical Information System – Vendor Evaluation

• **Round 1**: Initial Requirement Review, all proposals (2/10 –2/27)
  – Select up to 5 vendors to proceed to Round 2, based on responses to the critical requirements

• **Round 2**: Full Proposal Evaluation, up to 5 proposals (2/27–4/03)
  – Evaluation review teams score vendor RFP responses

• **Round 3**: Due Diligence, up to 3 proposals (4/03-5/30)
  – Due diligence activities will include reference checks, market and total cost analysis from Gartner Group and ‘side-by-side’ vendor presentations & demonstrations

• **Round 4**: Final Selection, one of 2 proposals (5/30-6/26)
  – Contract initiation, site visits, review best and final offers

*** Vendor demonstrations are scheduled for May 15-19 ***
Staff Engagement Survey

• Employee engagement occurs when individuals feel that their contributions are integral to the excellence of their workplace.

• Workforce commitment is defined as employees’ emotional attachment to, identification with, and involvement in the organization.

• UIHC will survey staff to gauge the overall level of engagement/commitment within the organization.

• Morehead Associates, an employee opinion survey firm, will conduct the UIHC survey in April of 2006.

• Goals of the survey:
  – Evaluate employees’ perceptions on workplace issues linked to high performance
  – Guide action planning efforts at the work-unit level
  – Strengthen organization-wide communication
  – Measure improvement
Iowa Healthcare Collaborative

- The Iowa Healthcare Collaborative (IHC) was formed in January 2004 to provide direction to the various quality, safety and value improvement collaborative efforts by hospitals and physicians.

- IHC promotes an Iowa health care culture of continuous improvement.

- IHC initiatives focus on provider-directed efforts in the areas of data, education, communication and the conduct of specific projects.

- IHC receives support from:
  - The Iowa Hospital Association,
  - The Iowa Medical Society,
  - Iowa Health System,
  - Mercy Health Network,
  - The University of Iowa College of Public Health, and
  - The University of Iowa Hospitals and Clinics.
Patient Safety Unit

- The Office of Clinical Outcomes and Resource Management (CORM) was reorganized to highlight and facilitate a formal role in coordinating hospital patient and staff safety through a Safety Program.

- A UIHC Safety Officer, Dr. Daniel Fick, has been identified, and two professional staff have been allocated for the Safety Program.

- Activities and timelines from the new strategic plan applicable to the Safety Program have been assigned.

![Diagram of organizational structure]

- University of Iowa Hospitals & Clinics
  Director and CEO, Donna Katen-Bahensky

- Office of Clinical Quality, Safety, and Performance Improvement
  Medical Director, Charles Helms, MD
  Mary Kay Brooks, Senior Administrative Associate

- Infection Prevention Program / Program of Hospital Epidemiology
  Director, Loreen Herwaldt, MD

- Quality and Performance Improvement Program
  Director, R. Todd Wiblin, MD

- Hospital Safety Program
  Director, Dan Fick, MD
Baldrige Steering Committee

• Steering Committee held its first meeting in December, 2005.
• Two UIHC staff members, Debbie Thoman and Beth Houlahan, visited Baptist Leadership Institute in February to learn more about best practices.
• Completed “Are We Making Progress” internal assessment.
• Future:
  – Review of application timeline
  – Assignment of criteria to members
  – Identification of co-chairs for the seven Baldrige criteria
  – Steering Committee retreat in April
    • Teresa Wahlert, Regent (Board of Regents, State of Iowa)
    • Ingrid Filibert (Baldrige Examiner)
  – “Quest for Excellence” retreat in Washington D.C., April 23-26
  – Next Steering Committee meeting on March 10
Partnership Discussion

• What are the critical factors that must be present for partnerships to be considered successful and how do we monitor them?

• What is the importance of the UIHC brand and how could a partnership potentially dilute brand equity?

• Are there concerns about the diffusion of scarce capital and limited management resources?

• Are we potentially establishing unrealistic expectations for improved access to specialist physicians, in too short a time?

• How do we maintain confidentiality as necessary during partnership development?