



University of Iowa Health Care

***Presentation to
The Board of Regents, State of Iowa
April 24-25, 2013***

- Opening Remarks (Robillard)
- New Children's Hospital Construction Update (Kates)
- Operating and Financial Performance (Kates, Fisher)
- FY14 Operating Budget (Kates, Fisher)



Opening Remarks

Jean Robillard, MD
Vice President for Medical Affairs



New Children's Hospital Project Update

Ken Kates, Chief Executive Officer
UI Hospitals & Clinics

Children's Hospital Overview

- **Project proceeding well**
 - Programming and Design
 - Construction
 - Budget
- **Participation and evidence continuing to drive design**
 - Architecturally and functionally integrated
 - Maintainable
 - Friendly, yet secure
 - Environmentally sustainable
- **Needs of children and families shining through**
- **Excitement and enthusiasm abounds**

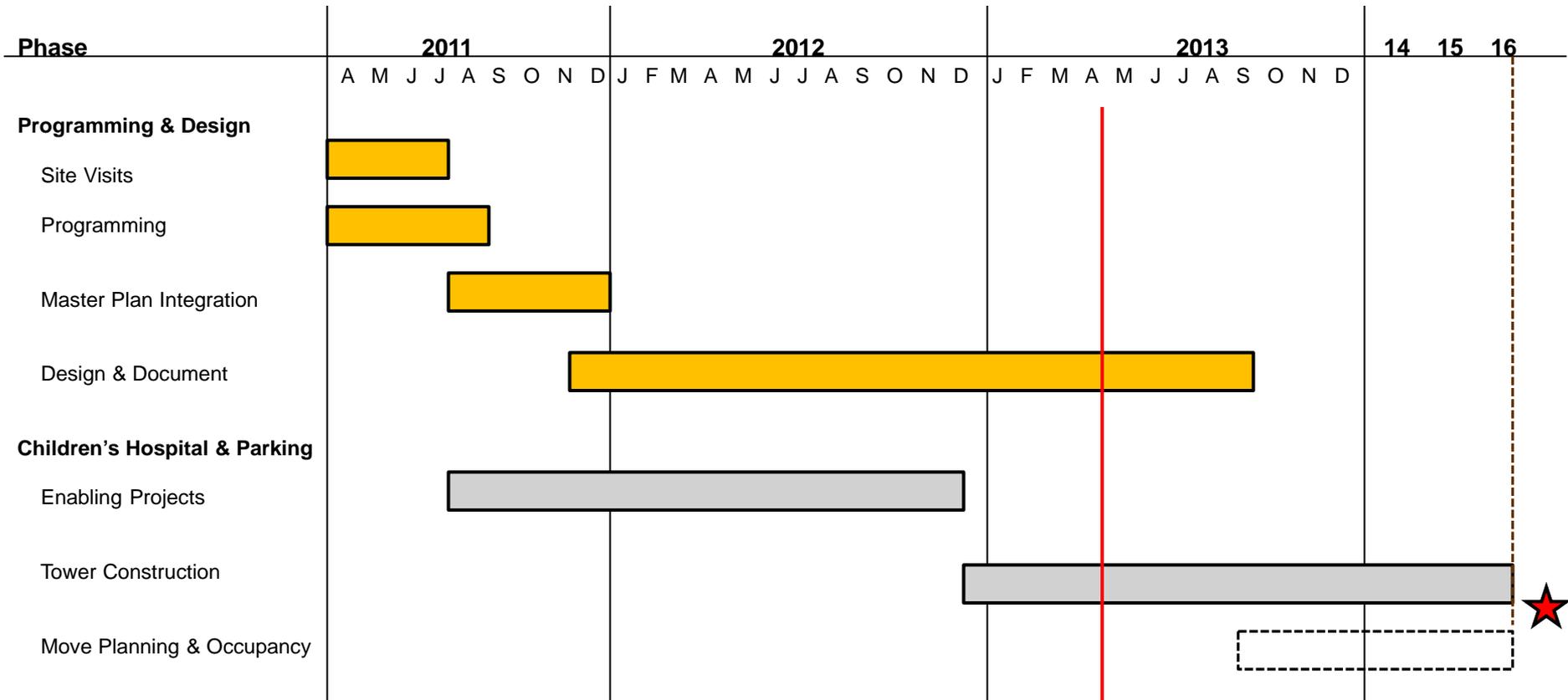


Budget and Schedule Overview

Budget

The Children's Hospital approved project budget is \$291.87 million. We are managing the project to complete it within budget.

Schedule Milestones



Exterior View



Project by the Numbers

- **Size**

- 480,000 gross square feet in new construction
- 56,250 square feet of renovations in existing space
- 14 floors; 12 above ground, 2 below grade

- **Building Materials**

- 44,000 cubic yards of concrete
- 677,000 pounds of ductwork
- 1,200 doors
- 1,100 plumbing fixtures
- 7,000 light fixtures
- 68 patient room windows weighing 1,750 pounds each

- **Patients / Families / Faculty / Staff / Community Engagement**

- >500 people and organizations participating and shaping design

“Our core guiding principle is patient/family-centered care – it will guide all of our decision-making.”

1. Enhance patient safety
2. Advance healing & family centered care
3. Provide an age appropriate environment
4. Allow for flexibility & future growth
5. Stimulate innovation
6. Promote operational efficiency
7. Facilitate collaboration & teamwork
8. Foster research
9. Support education & development

Designing to the Guiding Principles

- Functional and Operational Improvements

● Enhance Patient Safety

- Same handed patient rooms and ORs
- Standardized placement and layout of medication rooms
- Offsite generator

● Advance Healing and Family Centered Care

- Pediatric cancer center
- 4 twin rooms on NICU (28 rooms, 32 beds)
- Chapel on rooftop

● Promote Operational Efficiency

- Blended pre-op/Post Anesthesia Care Unit (PACU) model
- Integrated front desk check-in for imaging and procedure suite
- Separate public/on-stage and staff/off-stage elevators

● Facilitate Collaboration and Teamwork

- Interdisciplinary care team stations
- Standardized 'Office' zones
- Technology embedded to facilitate communication within and outside of UICH

1. Enhance patient safety

2. Advance healing & family centered care

3. Provide an age appropriate environment

4. Allow for flexibility & future growth

5. Stimulate innovation

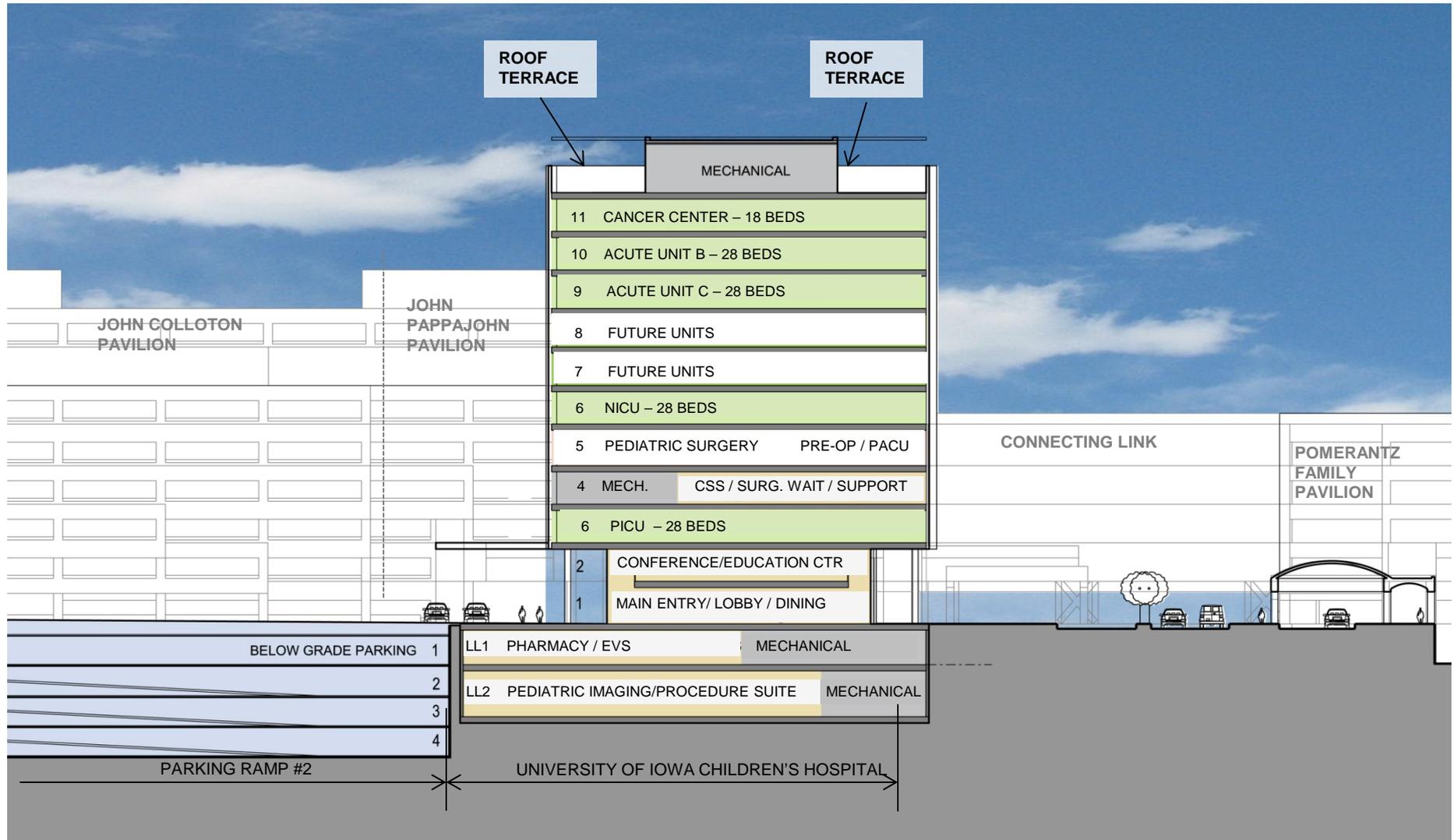
6. Promote operational efficiency

7. Facilitate collaboration & teamwork

8. Foster research

9. Support education & development

Stacking Diagram



Level 5 Floor Plan



- ORs are same-handed with identical layouts, connecting to Main OR.
- Transitioned from open bay PACU and private Prep/2nd Stage rooms to 32 private rooms that can accommodate both pre-op and full scope of recovery.

	OPERATING ROOMS
	PACU AND PHASE II RECOVERY

11th Floor Cancer Center



Standardization is Foundation for Safety & Efficiency



UI Children's Hospital
Inpatient Unit Standardization Plan
Level 3, 6, 9-11

 UNIT CLERK	 NUTRITION
 MEDICATION/CLEAN ROOM	 STAFF SUPPORT
 CARE TEAM STATION	 ENGINEERING SERVICES
 BUILDING SUPPORT	 FAMILY SUPPORT
 EQUIPMENT STORAGE	

Children's Bed Capacity

From the initial plans, the total bed capacity in the new hospital has been reduced by six beds to accommodate the inclusion of an integrated inpatient and outpatient pediatric cancer center on the sixth floor and the addition of four double inpatient rooms to accommodate twins in the Neonatal Intensive Care Unit.

<u>Beds</u>	<u>Current Facility</u>	<u>New Hospital</u>	<u>Remain in Current Hospital</u>	<u>Future Total</u>
Medical/Surgical	66	74	0	74
Pediatric Intensive Care	20	28	0	28
Neonatal Intensive Care	<u>79</u>	<u>32</u>	<u>55</u>	<u>87</u>
Total	165	134	55	189

Main Entrance – Gerdin Family Lobby



Family Resource Center



Dining Area and Garden View



Inpatient Room





January 2013



February 2013



April 2013



June 2013



August 2013



Hawkins Dr

October 2013



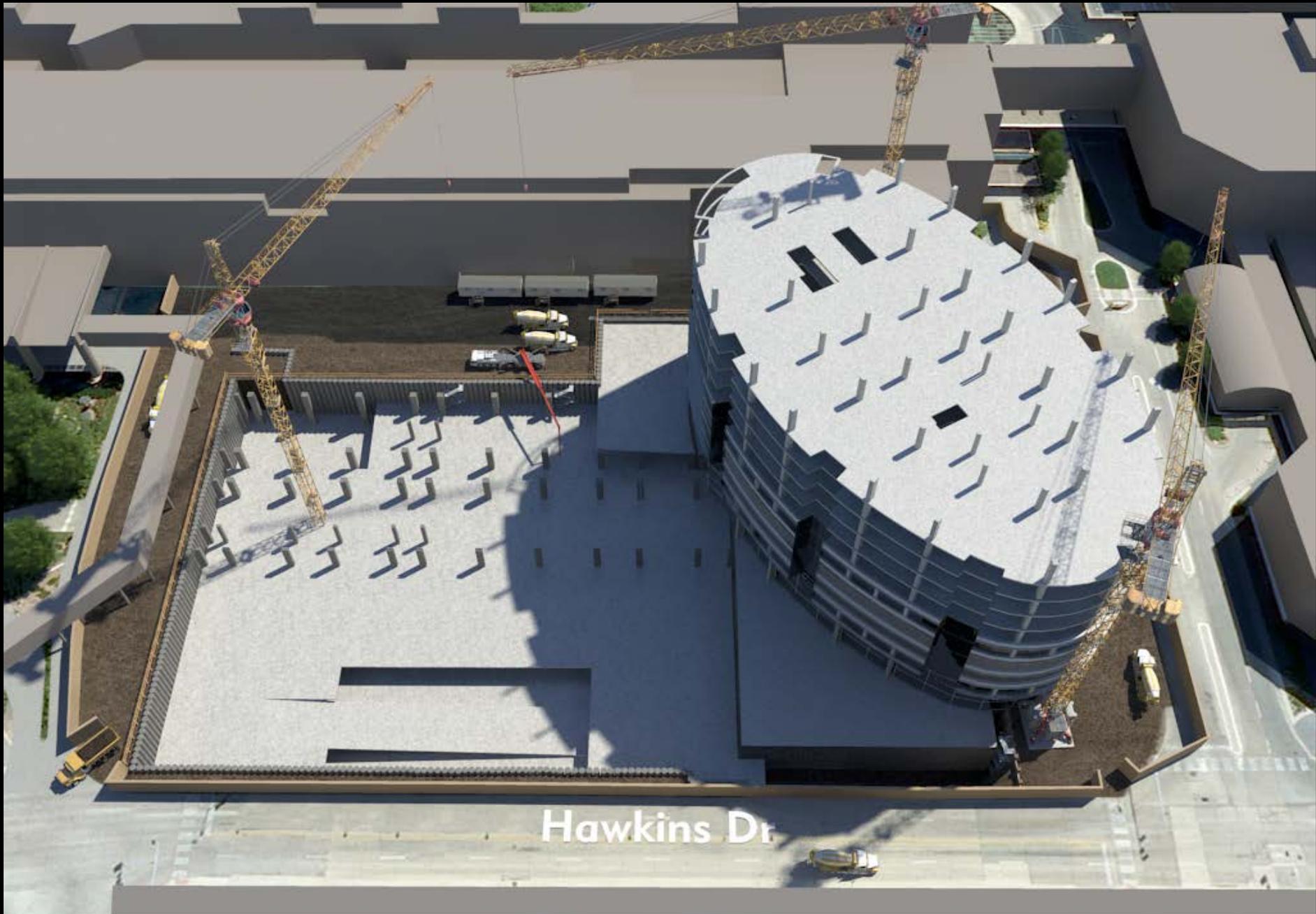
Hawkins Dr

November 2013



Hawkins Dr

December 2013



Hawkins Dr

February 2014



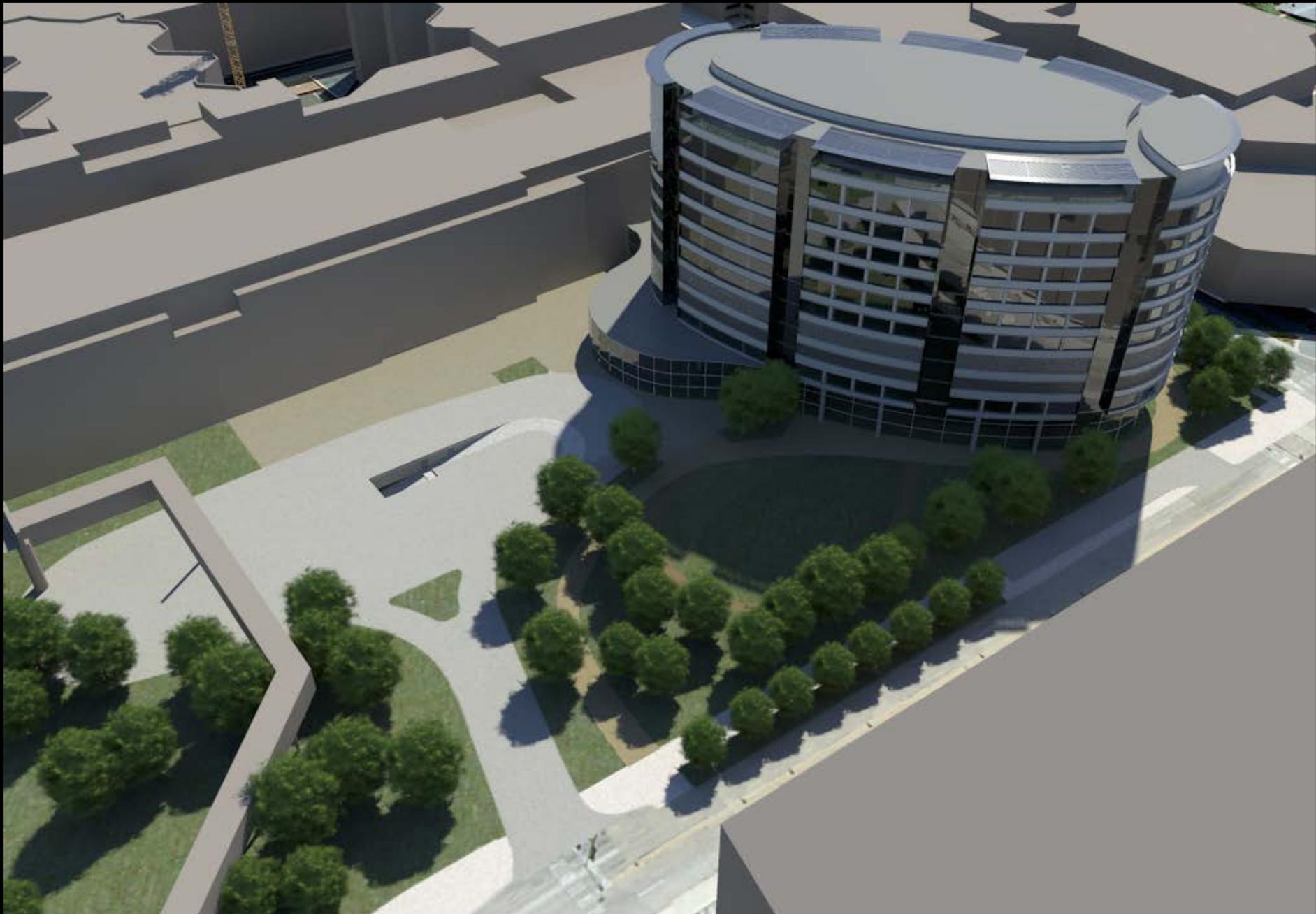
Hawkins Dr

June 2014



Hawkins Dr

January 2015



January 2016

The New University of Iowa Children's Hospital





Operating and Financial Performance Update

Ken Kates, Chief Executive Officer
UI Hospitals & Clinics

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

Volume Indicators

Fiscal Year to Date March 2013

Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Discharges	22,869	23,383	22,961	(514)	-2.2% ○	(92)	-0.4% ○
Patient Days	144,543	143,382	146,546	1,161	0.8% ○	(2,003)	-1.4% ○
Length of Stay	6.33	6.17	6.41	0.17	2.7% ●	(0.07)	-1.2% ○
Average Daily Census	527.53	523.29	532.90	4.24	0.8% ○	(5.37)	-1.0% ○
Total Surgeries	21,202	21,404	20,757	(202)	-0.9% ○	445	2.1% ○
- Inpatient	8,487	8,832	8,539	(345)	-3.9% ●	(52)	-0.6% ○
- Outpatient	12,715	12,572	12,218	143	1.1% ○	497	4.1% ●
ED Visits	45,160	47,048	44,651	(1,888)	-4.0% ●	509	1.1% ○
Total Clinic Visits	588,138	575,465	579,522	12,673	2.2% ○	8,616	1.5% ○

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

Fiscal Year to Date March 2013

Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Adult Medical	7,552	7,942	7,825	(390)	-4.9% ●	(273)	-3.5% ●
Adult Surgical	10,772	10,684	10,472	88	0.8% ○	300	2.9% ●
Adult Psych	1,067	1,102	1,086	(35)	-3.2% ●	(19)	-1.7% ○
<i>Subtotal – Adult</i>	<i>19,391</i>	<i>19,729</i>	<i>19,383</i>	<i>(338)</i>	<i>-1.7% ○</i>	<i>8</i>	<i>0.0% ○</i>
Pediatric Medical & Surgical	2,437	2,560	2,499	(123)	-4.8% ●	(62)	-2.5% ○
Pediatric Critical Care	623	609	601	14	2.2% ○	22	3.7% ●
Pediatric Psych	418	484	478	(66)	-13.7% ●	(60)	-12.6% ●
<i>Subtotal – Pediatrics w/o newborn</i>	<i>3,478</i>	<i>3,654</i>	<i>3,578</i>	<i>(176)</i>	<i>-4.8% ●</i>	<i>(100)</i>	<i>-2.8% ●</i>
Newborn	1,045	990	1,066	55	5.6% ●	(21)	-2.0% ○
TOTAL w/o Newborn	22,869	23,383	22,961	(514)	-2.2% ○	(92)	-0.4% ○

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

Discharge Days by Type

Fiscal Year to Date March 2013

Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Adult Medical	42,242	44,863	45,426	(2,621)	-5.8% ●	(3,184)	-7.0% ●
Adult Surgical	54,654	53,135	54,821	1,519	2.9% ●	(167)	-0.3% ○
Adult Psych	15,125	14,942	15,249	183	1.2% ○	(124)	-0.8% ○
<i>Subtotal – Adult</i>	<i>112,021</i>	<i>112,940</i>	<i>115,496</i>	<i>(919)</i>	<i>-0.8% ○</i>	<i>(3,475)</i>	<i>-3.0% ●</i>
Pediatric Medical & Surgical	12,992	13,151	13,244	(159)	-1.2% ○	(252)	-1.9% ○
Pediatric Critical Care	16,227	14,618	14,894	1,609	11.0% ●	1,333	8.9% ●
Pediatric Psych	3,633	3,485	3,529	148	4.3% ●	104	2.9% ●
<i>Subtotal – Pediatrics w/o newborn</i>	<i>32,852</i>	<i>31,253</i>	<i>31,667</i>	<i>1,599</i>	<i>5.1% ●</i>	<i>1,185</i>	<i>3.7% ●</i>
Newborn	2,318	2,378	2,373	(60)	-2.5% ○	(55)	-2.3% ○
TOTAL w/o Newborn	144,873	144,193	147,163	680	0.5% ○	(2,290)	-1.6% ○

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Greater than 2.5% Favorable	Neutral	Greater than 2.5% Unfavorable

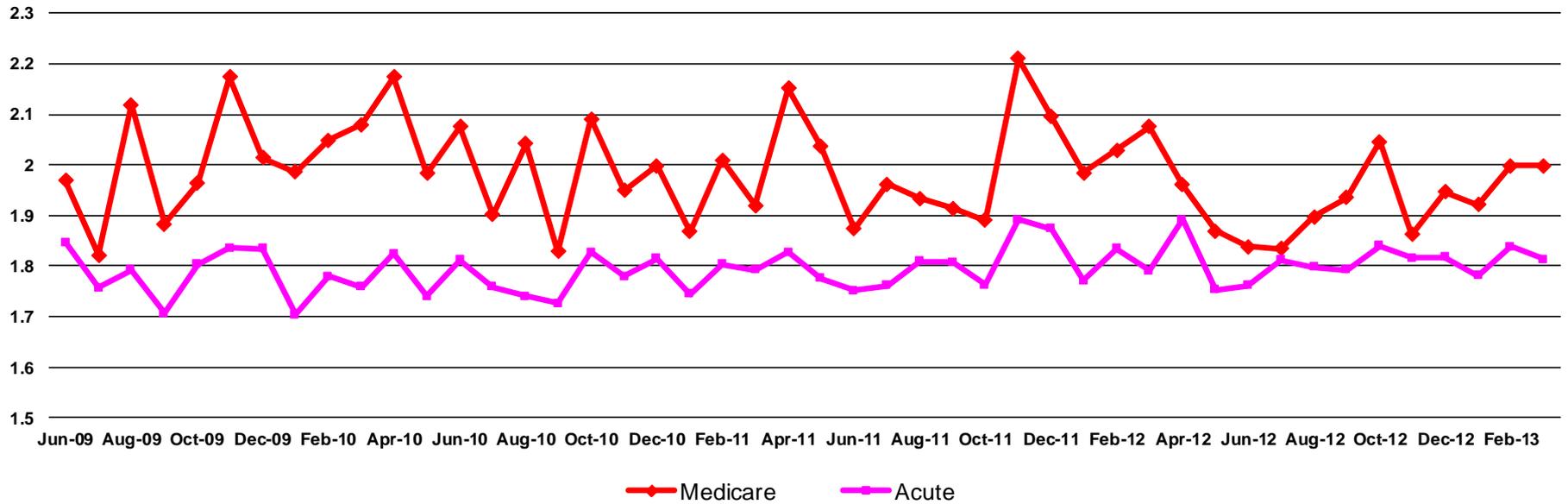
Average Length of Stay by Type

Fiscal Year to Date March 2013

Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Adult Medical	5.59	5.65	5.81	(0.06)	-1.0% ○	(0.21)	-3.6% ●
Adult Surgical	5.07	4.97	5.24	0.10	2.0% ○	(0.16)	-3.1% ●
Adult Psych	14.18	13.56	14.04	0.62	4.6% ●	0.13	1.0% ○
Subtotal – Adult	5.78	5.72	5.96	0.05	0.9% ○	(0.18)	-3.0% ●
Pediatric Medical & Surgical	5.33	5.14	5.30	0.19	3.8% ●	0.03	0.6% ○
Pediatric Critical Care	26.05	23.99	24.78	2.06	8.6% ●	1.26	5.1% ●
Pediatric Psych	8.69	7.19	7.38	1.50	20.8% ●	1.31	17.7% ●
Subtotal – Pediatrics w/o newborn	9.45	8.55	8.85	0.89	10.4% ●	0.60	6.7% ●
Newborn	2.22	2.40	2.23	(0.18)	-7.7% ●	(0.01)	-0.4% ○
TOTAL w/o Newborn	6.33	6.17	6.41	0.17	2.7% ●	(0.07)	-1.2% ○

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

Case Mix Index



Inpatient Surgeries – by Clinical Department

March 2013

Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Cardiothoracic	688	889	857	(201)	-22.6% ●	(169)	-19.7% ●
Dentistry	109	117	113	(8)	-6.7% ●	(4)	-3.5% ●
General Surgery	2,444	2,549	2,455	(105)	-4.1% ●	(11)	-0.4% ○
Gynecology	517	570	550	(53)	-9.4% ●	(33)	-6.0% ●
Neurosurgery	1,348	1,272	1,253	76	6.0% ●	95	7.6% ●
Ophthalmology	113	117	113	(4)	-3.5% ●	0	0 ○
Orthopedics	2,026	2,004	1,932	22	1.1% ○	94	4.9% ●
Otolaryngology	503	604	592	(101)	-16.8% ●	(89)	-15.0% ●
Radiology – Interventional	89	101	99	(12)	-11.7% ●	(10)	-10.1% ●
Urology w/ Procedure Ste.	650	608	574	42	6.9% ●	76	13.2% ●
Total	8,487	8,832	8,539	(345)	-3.9% ●	(52)	-0.6% ○
Solid Organ Transplants	269	253	211	16	6.3% ●	58	27.5% ●



Greater than
2.5% Favorable



Neutral



Greater than
2.5% Unfavorable

Outpatient Surgeries – by Clinical Department

March 2013



Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Cardiothoracic	74	55	54	19	34.2% ●	20	37.0% ●
Dentistry	481	495	484	(14)	-2.8% ●	(3)	-0.6% ○
Dermatology	32	27	29	5	18.5% ●	3	10.3% ●
General Surgery	1,974	1,985	1,945	(11)	-0.6% ○	29	1.5% ○
Gynecology	559	665	661	(106)	-15.9% ●	(102)	-15.4% ●
Internal Medicine	7	9	11	(2)	-24.3% ●	(4)	-36.4% ●
Neurosurgery	460	338	330	122	35.9% ●	130	39.4% ●
Ophthalmology	2,828	2,818	2,694	10	0.4% ○	134	5.0% ●
Orthopedics	2,898	2,966	2,955	(68)	-2.3% ○	(57)	-1.9% ○
Otolaryngology	1,850	1,838	1,791	12	0.6% ○	59	3.3% ●
Pediatrics	2	0	0	2	●		●
Radiology – Interventional	30	33	26	(3)	-9.8% ●	4	15.4% ●
Urology w/ Procedure Ste.	1,520	1,342	1,238	178	13.3% ●	282	22.8% ●
Total	12,715	12,572	12,218	143	1.1% ○	497	4.1% ●

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

Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
ED Visits	45,160	47,048	44,651	(1,888)	-4.0% 	509	1.1% 
ED Admits	12,874	12,958	12,175	(84)	-0.6% 	699	5.7% 
ED Conversion Factor	28.5%	27.5%	27.3%		3.5% 		4.5% 
ED Admits / Total Admits	56.4%	55.7%	53.2%		1.3% 		6.1% 

 Greater than 2.5% Favorable	 Neutral	 Greater than 2.5% Unfavorable
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Clinic Visits by Location

Fiscal Year to Date March 2013

Operating Review (YTD)	Actual	Budget	Variance to Budget	% Variance to Budget	
Anesthesia	3,488	3,469	19	0.5%	○
Center for Disabilities & Development	6,688	6,642	46	0.7%	○
Center for Digestive Disease	15,528	16,388	(860)	-5.2%	●
Clinical Cancer Center	38,213	41,551	(3,338)	-8.0%	●
Dermatology	16,221	15,220	1,001	6.6%	●
General Surgery	13,122	12,253	869	7.1%	●
Hospital Dentistry	11,689	11,629	60	0.5%	○
Internal Medicine	26,360	24,942	1,418	5.7%	●
Neurology	9,850	9,302	548	5.9%	●
Neurosurgery	7,879	7,742	137	1.8%	○
Obstetrics/Gynecology	41,603	38,577	3,026	7.8%	●
Ophthalmology	48,995	44,423	4,572	10.3%	●
Orthopedics	49,509	52,820	(3,311)	-6.3%	●
Otolaryngology	20,495	16,037	4,458	27.8%	●
Pediatrics	37,925	34,923	3,002	8.6%	●
Primary Care (non-IRL)	144,476	140,670	3,806	2.7%	●
Psychiatry	24,739	22,158	2,581	11.6%	●
Urology	11,685	9,465	2,220	23.5%	●
UI Heart Center	13,117	11,873	1,244	10.5%	●
IRL	46,556	55,380	(8,824)	-15.9%	●
Total	588,138	575,465	12,673	2.2%	○



Greater than 2.5% Favorable

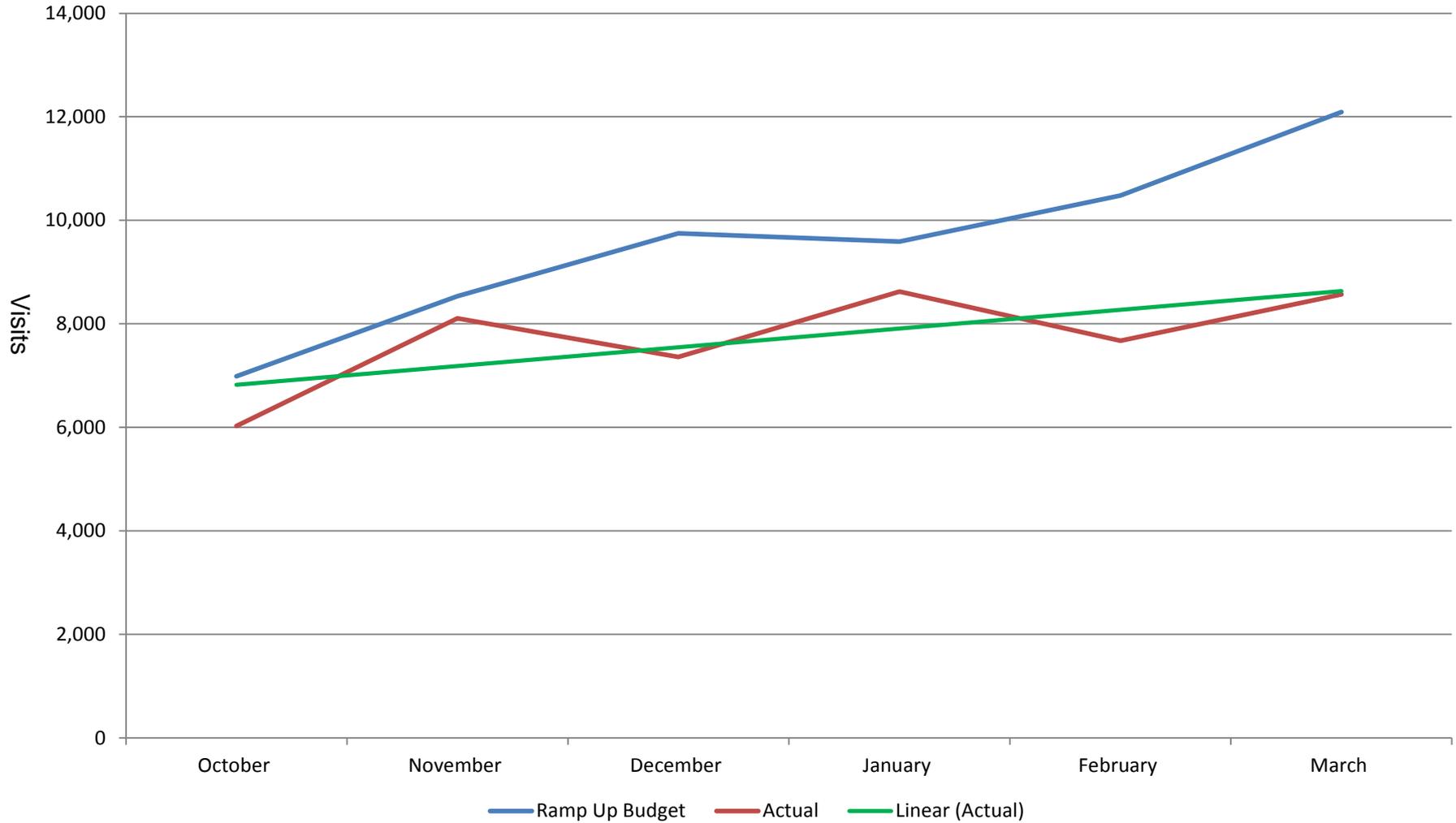


Neutral



Greater than 2.5% Unfavorable

Iowa River Landing – FY13 Visit Volume Growth



Clinic Visits by Specialty

Fiscal Year to Date March 2013

Operating Review (YTD)	FY13 Actual				FY12 Actual			Variance to Prior Year	%	
	On-Site	IRL	UICMS & QuickCare	Total	On-Site	UICMS & QuickCare	Total			
Primary Care	57,999		86,477	144,476	82,955	83,708	166,663	(22,187)	-13.3%	●
General Internal Medicine		13,862		13,862				13,862		●
Pediatrics		10,273		10,273				10,273		●
<i>Subtotal - Primary Care</i>	<i>57,999</i>	<i>24,135</i>	<i>86,477</i>	<i>168,611</i>	<i>82,955</i>	<i>83,708</i>	<i>166,663</i>	<i>1,948</i>	<i>1.2%</i>	○
Anesthesia	3,488			3,488	3,124		3,124	364	11.7%	●
Center for Disabilities & Development	6,688			6,688	6,438		6,438	250	3.9%	●
Center for Digestive Disease	15,528			15,528	18,648		18,648	(3,120)	-16.7%	●
Clinical Cancer Center	38,213			38,213	37,993		37,993	220	0.6%	○
Dermatology	16,221	1,695		17,916	19,234		19,234	(1,318)	-6.9%	●
General Surgery	13,122			13,122	12,773		12,773	349	2.7%	●
Hospital Dentistry	11,689			11,689	11,741		11,741	(52)	-0.4%	○
Internal Medicine	26,360	1,151		27,511	26,166		26,166	1,345	5.1%	●
Neurology	9,850			9,850	8,944		8,944	906	10.1%	●
Neurosurgery	7,879			7,879	6,976		6,976	903	12.9%	●
Obstetrics/Gynecology	41,603	7,869		49,472	48,722		48,722	750	1.5%	○
Ophthalmology	48,995	2,705		51,700	52,228		52,228	(528)	-1.0%	○
Orthopedics	49,509			49,509	50,400		50,400	(891)	-1.8%	○
Otolaryngology	20,495	2,413		22,908	22,330		22,330	578	2.6%	●
Pediatrics	37,925			37,925	36,024		36,024	1,901	5.3%	●
Psychiatry	24,739			24,739	23,191		23,191	1,548	6.7%	●
Urology	11,685	2,202		13,887	12,528		12,528	1,359	10.8%	●
UI Heart Center	13,117	4,386		17,503	15,399		15,399	2,104	13.7%	●
<i>Subtotal – Specialty Care</i>	<i>397,106</i>	<i>22,421</i>		<i>419,527</i>	<i>412,859</i>		<i>412,859</i>	<i>6,668</i>	<i>1.6%</i>	○
Total	455,105	46,556	86,477	588,138	495,814	83,708	579,522	8,616	1.5%	○



Greater than 2.5% Favorable



Neutral

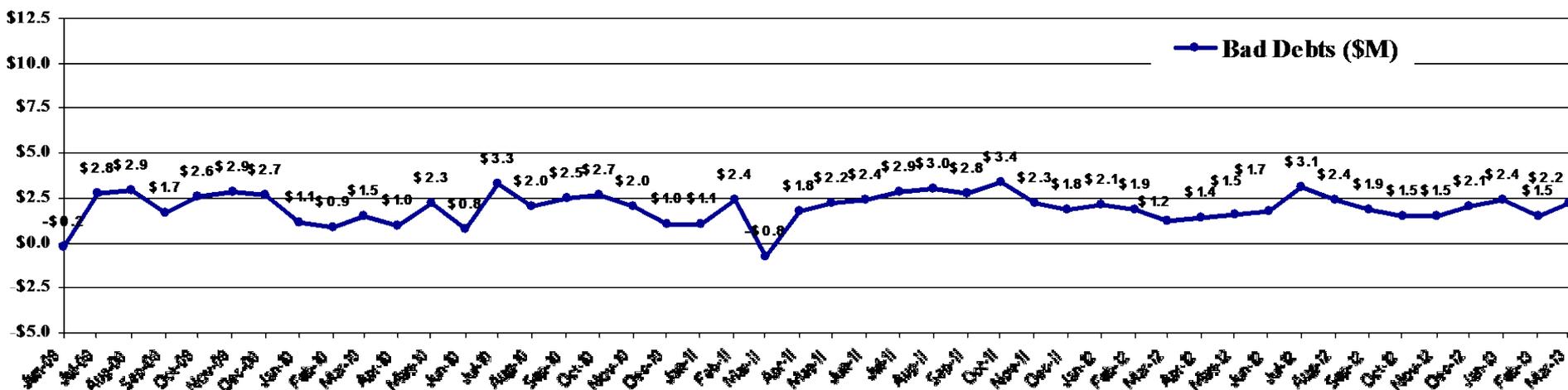
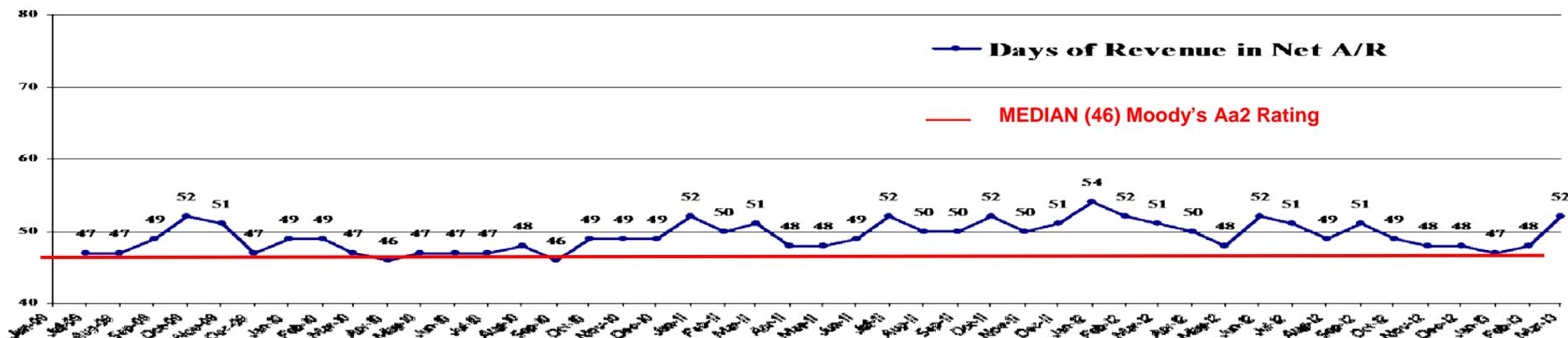


Greater than 2.5% Unfavorable

Comparative Accounts Receivable

at March 31, 2013

	June 30, 2011	June 30, 2012	March 31, 2013
Net Accounts Receivable	\$136,477,870	\$153,061,293	\$154,204,747
Net Days in AR	49	52	52



UIHC Comparative Financial Results

March 2013



Dollars in Thousands

NET REVENUES:	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Patient Revenue	\$91,380	\$93,964	\$91,382	(\$2,584)	-2.8%	(\$2)	0.0%
Other Operating Revenue	4,381	4,345	5,701	36	0.8%	(1,320)	-23.2%
Total Revenue	\$95,760	\$98,308	\$97,083	(\$2,548)	-2.6%	(\$1,322)	-1.4%

EXPENSES:

Salaries and Wages	\$47,060	\$49,348	\$45,888	(\$2,288)	-4.6%	\$1,172	2.6%
General Expenses	36,321	38,316	35,139	(1,995)	-5.2%	1,182	3.4%
Operating Expense before Capital	\$83,381	\$87,663	\$81,028	(\$4,282)	-4.9%	\$2,353	2.9%
Cash Flow Operating Margin	\$12,379	\$10,645	\$16,055	\$1,734	16.3%	(\$3,676)	-22.9%
Capital- Depreciation and Amortization	6,328	6,127	6,394	201	3.3%	(66)	-1.0%
Total Operating Expense	\$89,709	\$93,791	\$87,422	(\$4,082)	-4.4%	\$2,287	2.6%

Operating Income	\$6,052	\$4,518	\$9,661	\$1,534	33.9%	(\$3,609)	-37.4%
Operating Margin %	6.3%	4.6%	10.0%		1.7%		-3.6%
Gain (Loss) on Investments	7,586	1,563	6,448	6,024	385.5%	1,138	17.6%
Other Non-Operating	(1,079)	(816)	(1,779)	(263)	32.2%	699	39.3%
Net Income	\$12,559	\$5,264	\$14,329	\$7,295	138.6%	(\$1,770)	-12.4%
Net Margin %	12.3%	5.3%	14.1%		7.0%		-1.8%

UIHC Comparative Financial Results

Fiscal Year to Date March 2013



Dollars in Thousands

NET REVENUES:	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Patient Revenue	\$801,427	\$813,098	\$773,285	(\$11,671)	-1.4%	\$28,142	3.6%
Other Operating Revenue	38,496	39,103	42,504	(607)	-1.6%	(4,008)	-9.4%
Total Revenue	\$839,923	\$852,202	\$815,789	(\$12,278)	-1.4%	\$24,134	3.0%

EXPENSES:

Salaries and Wages	\$425,296	\$433,331	\$411,909	(\$8,035)	-1.9%	\$13,388	3.3%
General Expenses	338,284	342,087	325,150	(3,803)	-1.1%	13,133	4.0%
Operating Expense before Capital	\$763,580	\$775,418	\$737,059	(\$11,838)	-1.5%	\$26,521	3.6%
Cash Flow Operating Margin	\$76,343	\$76,784	\$78,730	(\$441)	-0.6%	(\$2,387)	-3.0%
Capital- Depreciation and Amortization	54,490	55,144	51,744	(653)	-1.2%	2,746	5.3%
Total Operating Expense	\$818,070	\$830,562	\$788,803	(\$12,491)	-1.5%	\$29,268	3.7%

Operating Income	\$21,853	\$21,640	\$26,986	\$213	1.0%	(\$5,134)	-19.0%
Operating Margin %	2.6%	2.5%	3.3%		0.1%		-0.7%
Gain on Investments	26,192	14,064	23,432	12,129	86.2%	2,760	11.8%
Other Non-Operating	(3,945)	(7,348)	(1,901)	3,403	46.3%	(2,043)	-107.5%
Net Income	\$44,101	\$28,356	\$48,517	\$15,744	55.5%	(\$4,417)	-9.1%
Net Margin %	5.1%	3.3%	5.8%		1.8%		-0.7%



FY 14 Operating Budget

Ken Kates, Chief Executive Officer
UI Hospitals & Clinics

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

Laying the groundwork – focus on the Strategic Plan

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

Goals

Clinical Quality &
Service

Research

Education

People

Diversity

Growth &
Finance

1. Provide world-class health care and service to optimize health for everyone.
2. Advance world-class discovery through excellence and innovation in biomedical and health services research.
3. Develop world-class health professionals and scientists through excellent, innovative and humanistic educational curricula for learners at every stage.
4. Foster a culture of excellence that values, engages and enables our workforce.
5. Create an environment of inclusion where individual differences are respected and all feel welcome.
6. Optimize a performance-driven business model that assures financial success.

Measuring Plan Performance

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

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

Strategies:

- Ensure sound financial position of clinical programs.
- Grow clinical programmatic priority areas.
- Ensure sound financial position of non-clinical programs.
- Ensure appropriate resources and facilities are available for clinical, education and research strategies.

Strategic Metrics - Creating linkages among all units

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

Margin Expectations

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

Capital Planning

- UI Hospital and Clinics will fund \$246 million in capital projects and routine equipment for FY2014.
 - Major Projects
 - Children's Hospital – \$97.9 M
 - IT hardware and software – \$23.1 M
 - OR/ASC expansion – \$13.0 M
 - Clinical Equipment – \$11.8 M
 - 7th/8th fl JPP/JCP infill – \$10.0 M
 - Cardiovascular ICU – \$8.5 M
 - Iowa River Landing 5th floor expansion - \$8.0 M
 - Cardiovascular Center consolidation of clinics – \$4.0 M
 - Mechanical/HVAC replacement – \$5.5 M
 - Other routine renovation and equipment replacement – \$64.2 M

Forecasting Clinical Volumes—Process

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

Forecasting Clinical Volumes—Process (cont'd)

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

Revenue Forecast

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

Expense Forecast

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

HOSPITAL & CLINICS BUDGET PROJECTIONS

UI Health Care – Key Drivers

Revenue		
Volume Growth		
	Inpatient	1.5%
	Outpatient	5.6%
Physician Work RVU's		
ALOS Reduction		
Case Mix Increase		
Payor Rate Increase		
Charge Increase		
6.0%		
Expense		
Salary Increase Assumptions		
	SEIU	2.0%
	Merit	2.34%
	P & S	2.25%
	Faculty	2.0%
Blended Non-Salary Cost Inflation		
Blended Fringe Benefit Rate		
39.6%		

UI Health Care Operating Budget FY2014

UIHC FY13 Projection and FY14 Budget Target in 000's

	Budget Target 2014	Projected 2013	Actual 2012
Net Operating Revenue			
Net Patient Revenue	\$ 1,137,798	\$ 1,089,302	\$ 1,041,179
Other Operating Revenue	50,598	51,857	57,114
Total Net Operating Revenue	<u>\$ 1,188,396</u>	<u>\$ 1,141,159</u>	<u>\$ 1,098,292</u>
Operating Expenses			
Salary, Benefits, and Contract Labor	\$ 588,149	\$ 570,536	\$ 548,318
Supplies and Drugs	230,896	228,792	222,447
Services	151,104	130,447	112,928
Capital Expenses	29,549	28,911	27,947
Insurance	3,296	3,474	2,860
Licenses, Fees, and Other Expenses	70,516	69,080	67,372
Total Operating Expenses	<u>\$ 1,073,510</u>	<u>\$ 1,031,240</u>	<u>\$ 981,872</u>
Cash Flow Operating Margin	<u>\$ 114,886</u>	<u>\$ 109,919</u>	<u>\$ 116,420</u>
CFO Margin %	9.7%	9.6%	10.6%
Depreciation	\$ 79,231	\$ 73,853	\$ 69,724
Operating Income	<u>\$ 35,655</u>	<u>\$ 36,066</u>	<u>\$ 46,696</u>
Operating Margin %	3.0%	3.2%	4.3%
Non-operating Income	\$ 21,831	\$ 21,196	\$ 20,578
Net Income	<u>\$ 57,486</u>	<u>\$ 57,262</u>	<u>\$ 67,274</u>
Net Income Margin %	4.8%	5.0%	6.1%

Summary of Proposed Budget

- UI Hospitals and Clinics
 - Risks
 - Payment Risk:
 - Degradation of Payer Mix
 - Increase in Uninsured/Bad Debt/Charity
 - Governmental Budget Cuts and Reform Impacts
 - Significant change in outpatient payment methodology by largest commercial insurer, and movement of volumes to the outpatient setting
 - Decrease in Elective Procedures
 - Opportunities
 - Increasing access through centralized scheduling

Headwinds

- Governmental Payers – FY14 Projected Payment Reductions to UIHC
- Medicare
 - Affordable Care Act Implementation - \$14.4M
 - Sequestration - \$4.3M
 - President Obama’s proposed budget includes additional cuts, specifically in the area of Graduate Medical Education
- Medicaid
 - Significant unknowns regarding the overall change in Medicaid program. Could result in significant changes in rates, payer processes, and volumes by facility.
- Other Payers
 - State exchange January 1, 2014
 - ACO’s and changing marketplace of products

Chargemaster Price Increase

- Proposed: A 6% rate increase at University of Iowa Hospital and Clinics effective July 1, 2013.
- Background
 - The University of Iowa Hospitals and Clinics charges are currently relatively low compared to our peers. In the most recently issued University Health System Consortium (UHC) comparison, the University of Iowa acuity adjusted charges are at the 33rd percentile of all consortium (UHC) hospitals.
 - A detailed analysis has been done looking at all available benchmarks and cost data. Inflation, contract structures, and other related details were specifically reviewed in determining the proposed rate change.