

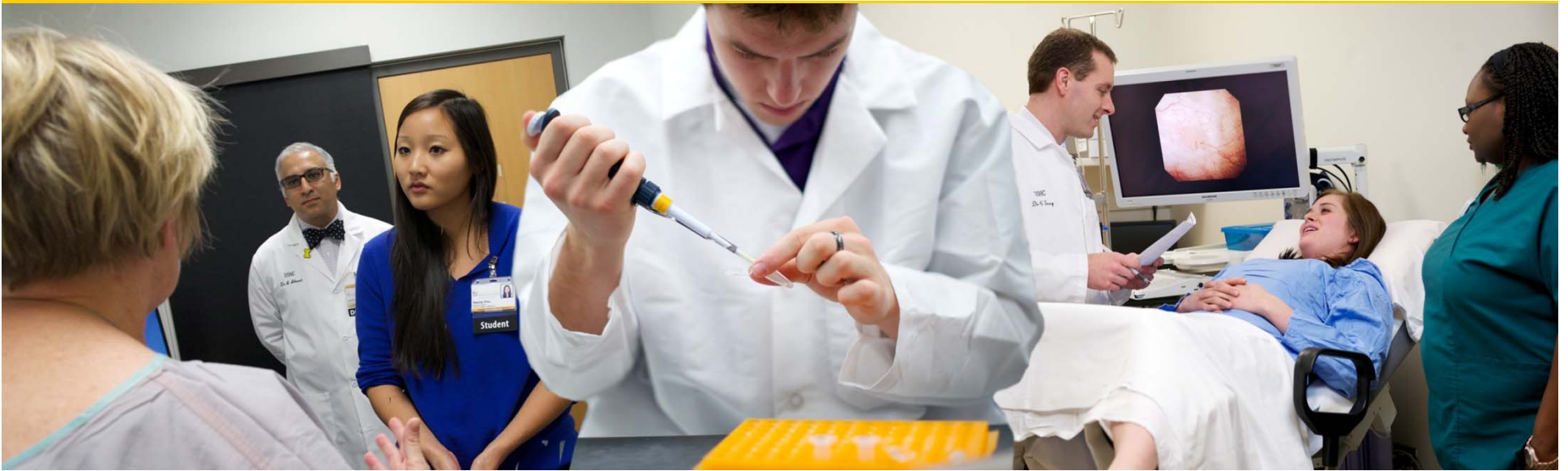


University of Iowa Health Care

***Presentation to
The Board of Regents, State of Iowa
April 22-23, 2015***

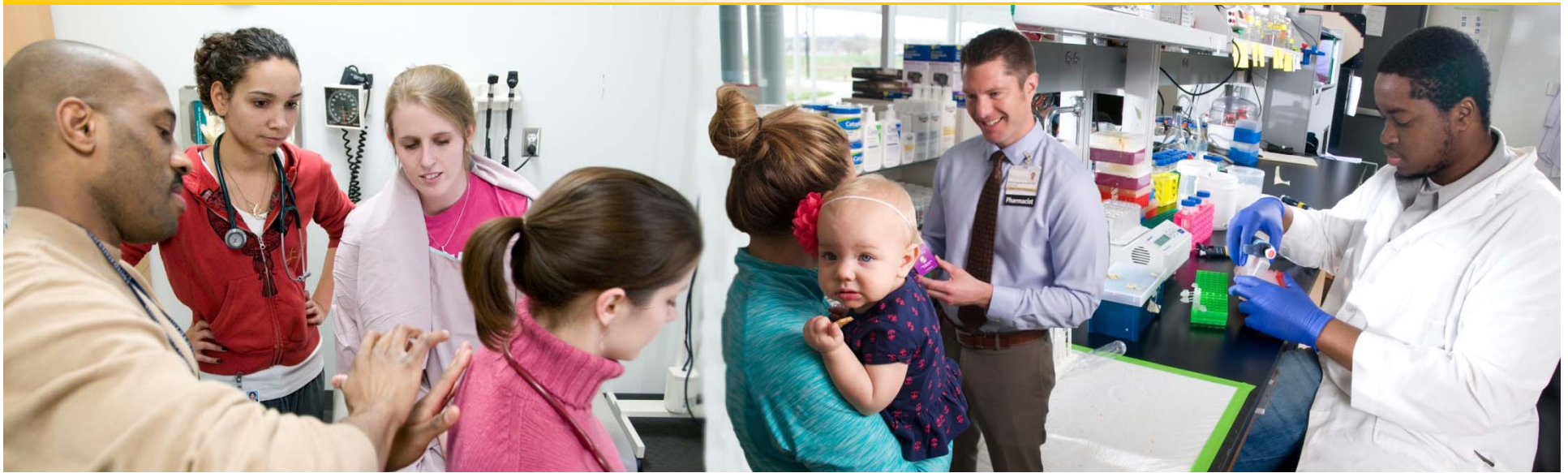
Agenda

- Opening Remarks (Robillard)
- Operating and Financial Performance (Kates, Fisher)
- FY16 Operating Budget (Kates, Fisher)



Opening Remarks

Jean Robillard, MD
Vice President for Medical Affairs



Operating and Financial Performance

Ken Kates, Associate Vice President &
Chief Executive Officer, UI Hospitals & Clinics

Ken Fisher, Associate Vice President for Finance
and Chief Financial Officer, UI Hospitals & Clinics

Volume Indicators

Fiscal Year to Date February 2015



Operating Review (YTD)	Actual	Budget	Prior Year *	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Discharges	21,356	21,341	20,581	15	0.1% ○	775	3.8% ●
Patient Days	135,832	131,779	130,930	4,053	3.1% ●	4,902	3.7% ●
Length of Stay	6.38	6.21	6.40	0.17	2.6% ●	(0.02)	-0.4% ○
Average Daily Census	558.98	542.30	538.81	16.68	3.1% ●	20.17	3.7% ●
Total Surgeries	19,521	20,275	19,412	(754)	-3.7% ●	109	0.6% ○
- Inpatient	7,841	8,102	7,770	(261)	-3.2% ●	71	0.9% ○
- Outpatient	11,680	12,173	11,642	(493)	-4.1% ●	38	0.3% ○
ED Visits	37,653	36,374	38,575	1,279	3.5% ●	(922)	-2.4% ○
Total Clinic Visits	542,186	550,825	527,523	(8,639)	-1.6% ○	14,663	2.8% ●

* from ongoing operations

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

Fiscal Year to Date February 2015

Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Adult Medical	5,959	6,519	6,312	(560)	-8.6% ●	(353)	-5.6% ●
Adult Surgical	10,962	10,685	10,282	277	2.6% ●	680	6.6% ●
Adult Psych	919	998	964	(79)	-7.9% ●	(45)	-4.7% ●
<i>Subtotal – Adult</i>	<i>17,840</i>	<i>18,202</i>	<i>17,558</i>	<i>(362)</i>	<i>-2.0%</i> ○	<i>282</i>	<i>1.6%</i> ○
Pediatric Medical & Surgical	2,517	2,198	2,114	319	14.5% ●	403	19.1% ●
Pediatric Critical Care	572	555	536	17	3.1% ●	36	6.7% ●
Pediatric Psych	427	386	373	41	10.6% ●	54	14.5% ●
<i>Subtotal – Pediatrics w/o newborn</i>	<i>3,516</i>	<i>3,139</i>	<i>3,023</i>	<i>377</i>	<i>12.0%</i> ●	<i>493</i>	<i>16.3%</i> ●
Newborn	1,018	1,060	991	(42)	-4.0% ●	27	2.7% ●
TOTAL w/o Newborn	21,356	21,341	20,581	15	0.1% ○	775	3.8% ●

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

Discharge Days by Type

Fiscal Year to Date February 2015

Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Adult Medical	32,997	34,838	34,571	(1,841)	-5.3% ●	(1,574)	-4.6% ●
Adult Surgical	57,883	53,611	53,298	4,272	8.0% ●	4,585	8.6% ●
Adult Psych	14,011	14,183	14,090	(172)	-1.2% ○	(79)	-0.6% ○
<i>Subtotal – Adult</i>	<i>104,891</i>	<i>102,632</i>	<i>101,959</i>	<i>2,259</i>	<i>2.2% ○</i>	<i>2,932</i>	<i>2.9% ●</i>
Pediatric Medical & Surgical	12,100	11,828	11,746	272	2.3% ○	354	3.0% ●
Pediatric Critical Care	15,697	14,757	14,652	940	6.4% ●	1,045	7.1% ●
Pediatric Psych	3,476	3,413	3,388	63	1.9% ○	88	2.6% ●
<i>Subtotal – Pediatrics w/o newborn</i>	<i>31,273</i>	<i>29,998</i>	<i>29,786</i>	<i>1,275</i>	<i>4.3% ●</i>	<i>1,487</i>	<i>5.0% ●</i>
Newborn	2,282	2,287	2,197	(5)	-0.2% ○	85	3.9% ●
TOTAL w/o Newborn	136,164	132,630	131,745	3,534	2.7% ●	4,419	3.4% ●

●	○	●
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Average Length of Stay by Type

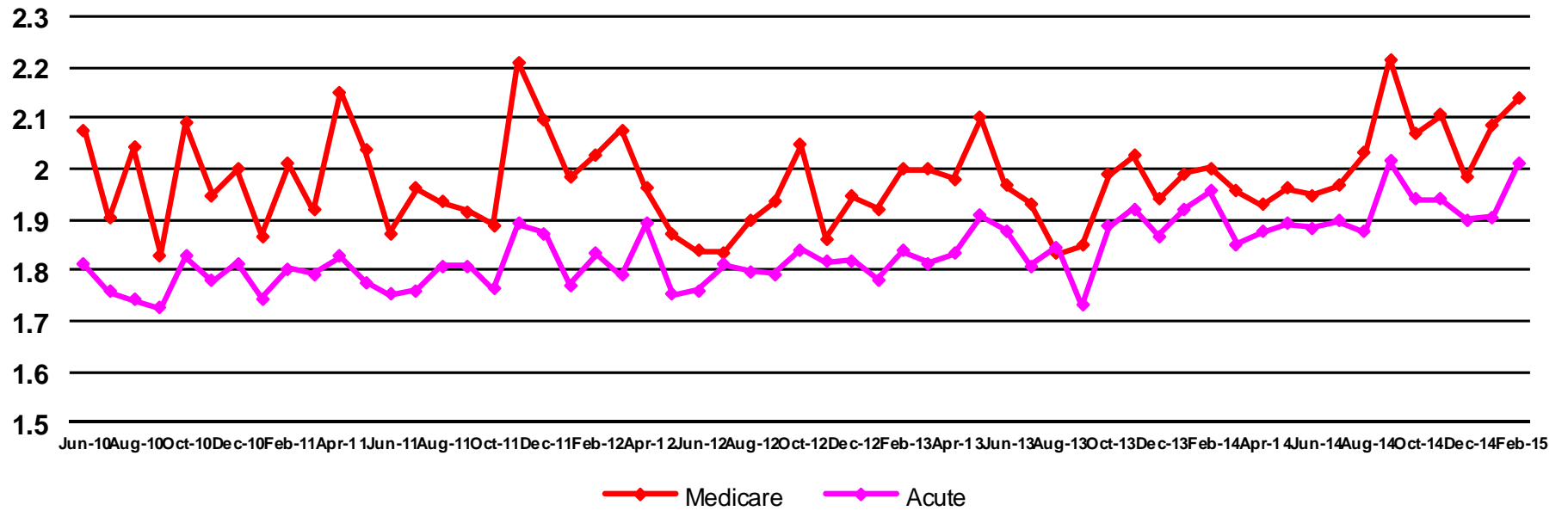
Fiscal Year to Date February 2015



Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Adult Medical	5.54	5.34	5.48	0.20	3.8% ●	0.06	1.1% ○
Adult Surgical	5.28	5.02	5.18	0.26	5.2% ●	0.10	1.9% ○
Adult Psych	15.25	14.21	14.62	1.04	7.3% ●	0.63	4.3% ●
Subtotal – Adult	5.88	5.64	5.81	0.24	4.3% ●	0.07	1.2% ○
Pediatric Medical & Surgical	4.81	5.38	5.56	(0.57)	-10.6% ●	(0.75)	-13.5% ●
Pediatric Critical Care	27.44	26.59	27.34	0.85	3.2% ●	0.10	0.4% ○
Pediatric Psych	8.14	8.84	9.08	(0.70)	-7.9% ●	(0.94)	-10.4% ●
Subtotal – Pediatrics w/o newborn	8.89	9.56	9.85	(0.67)	-7.0% ●	(0.96)	-9.8% ●
Newborn	2.24	2.16	2.22	0.08	3.7% ●	0.02	0.9% ○
TOTAL w/o Newborn	6.38	6.21	6.40	0.17	2.7% ●	(0.02)	-0.3% ○

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

Case Mix Index



Inpatient Surgeries – by Clinical Department

Fiscal Year to Date February 2015



Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Cardiothoracic	689	708	678	(19)	-2.7% ●	11	1.6% ○
Dentistry	171	131	116	40	30.5% ●	55	47.4% ●
General Surgery	2,189	2,352	2,284	(163)	-6.9% ●	(95)	-4.2% ●
Gynecology	522	460	439	62	13.5% ●	83	18.9% ●
Neurosurgery	1,174	1,215	1,134	(41)	-3.4% ●	40	3.5% ●
Ophthalmology	72	83	75	(11)	-13.2% ●	(3)	-4.0% ●
Orthopedics	1,935	2,044	1,968	(109)	-5.3% ●	(33)	-1.7% ○
Otolaryngology	477	459	442	18	3.9% ●	35	7.9% ●
Radiology – Interventional	73	62	59	11	17.7% ●	14	23.7% ●
Urology w/ Procedure Ste.	539	587	575	(48)	-8.2% ●	(36)	-6.3% ●
Total	7,841	8,102	7,770	(261)	-3.2% ●	71	0.9% ○
Solid Organ Transplants	217	229	183	(12)	-5.2% ●	34	18.6% ●

● Greater than 2.5% Favorable	○ Neutral	● Greater than 2.5% Unfavorable
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Outpatient Surgeries – by Clinical Department

Fiscal Year to Date February 2015



Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget		Variance to Prior Year	% Variance to Prior Year	
Cardiothoracic	37	47	45	(10)	-21.3%	●	(8)	-17.8%	●
Dentistry	376	455	412	(79)	-17.4%	●	(36)	-8.7%	●
Dermatology	19	25	25	(6)	-24.0%	●	(6)	-24.0%	●
General Surgery	1,837	1,904	1,827	(67)	-3.5%	●	10	0.6%	○
Gynecology	544	551	534	(7)	-1.3%	○	10	1.9%	○
Internal Medicine	2	4	4	(2)	-50.0%	●	(2)	-50.0%	●
Neurosurgery	616	498	455	118	23.7%	●	161	35.4%	●
Ophthalmology	2,436	2,612	2,512	(176)	-6.7%	●	(76)	-3.0%	●
Orthopedics	2,846	2,889	2,805	(43)	-1.5%	○	41	1.5%	○
Otolaryngology	1,606	1,685	1,607	(79)	-4.7%	●	(1)	0.0%	○
Pediatrics	3	1	1	2	200.0%	●	2	200.0%	●
Radiology – Interventional	49	16	19	33	206.3%	●	30	157.9%	●
Urology w/ Procedure Ste.	1,309	1,485	1,396	(176)	-11.9%	●	(87)	-6.2%	●
Total	11,680	12,173	11,642	(493)	-4.1%	●	38	0.3%	○

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

Emergency Department

Fiscal Year to Date February 2015



Operating Review (YTD)	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
ED Visits	37,653	36,374	38,575	1,279	3.5%	(922)	-2.4%
ED Admits	11,171	11,205	11,861	(34)	-0.3%	(690)	-5.8%
ED Conversion Factor	29.7%	30.8%	30.7%		-3.6%		-3.3%
ED Admits / Total Admits	52.4%	52.8%	57.7%		-0.8%		-9.2%

Greater than 2.5% Favorable	Neutral	Greater than 2.5% Unfavorable

Clinic Visits by Specialty

Fiscal Year to Date February 2015

Operating Review (YTD)	Actual	Budget	Variance to Budget	Variance to Budget %	
Burn Clinic	2,070	2,312	(242)	-10.5%	●
Center for Disabilities & Development	5,928	6,488	(560)	-8.6%	●
Center for Digestive Disease	13,181	12,832	349	2.7%	●
Clinical Cancer Center	31,843	35,678	(3,835)	-10.8%	●
Dermatology	15,302	15,654	(352)	-2.3%	○
General Surgery	10,850	11,467	(617)	-5.4%	●
Hospital Dentistry	10,233	11,055	(822)	-7.4%	●
Internal Medicine	19,759	21,457	(1,698)	-7.9%	●
Neurology	9,679	8,377	1,302	15.5%	●
Neurosurgery	7,735	6,185	1,550	25.1%	●
Obstetrics/Gynecology	36,164	32,928	3,236	9.8%	●
Ophthalmology	41,411	44,231	(2,820)	-6.4%	●
Orthopedics	46,926	50,027	(3,101)	-6.2%	●
Otolaryngology	13,032	12,785	247	1.9%	○
Pediatrics	38,365	38,954	(589)	-1.5%	○
Primary Care (non-IRL)	117,651	113,433	4,218	3.7%	●
Psychiatry	22,849	24,017	(1,168)	-4.9%	●
Urology	9,102	9,951	(849)	-8.5%	●
UI Heart Center	11,629	11,976	(347)	-2.9%	●
IRL	78,477	81,018	(2,541)	-3.1%	●
Total	542,186	550,825	(8,639)	-1.6%	○

 Greater than 2.5% Favorable
  Neutral
  Greater than 2.5% Unfavorable

Clinic Visits by Location

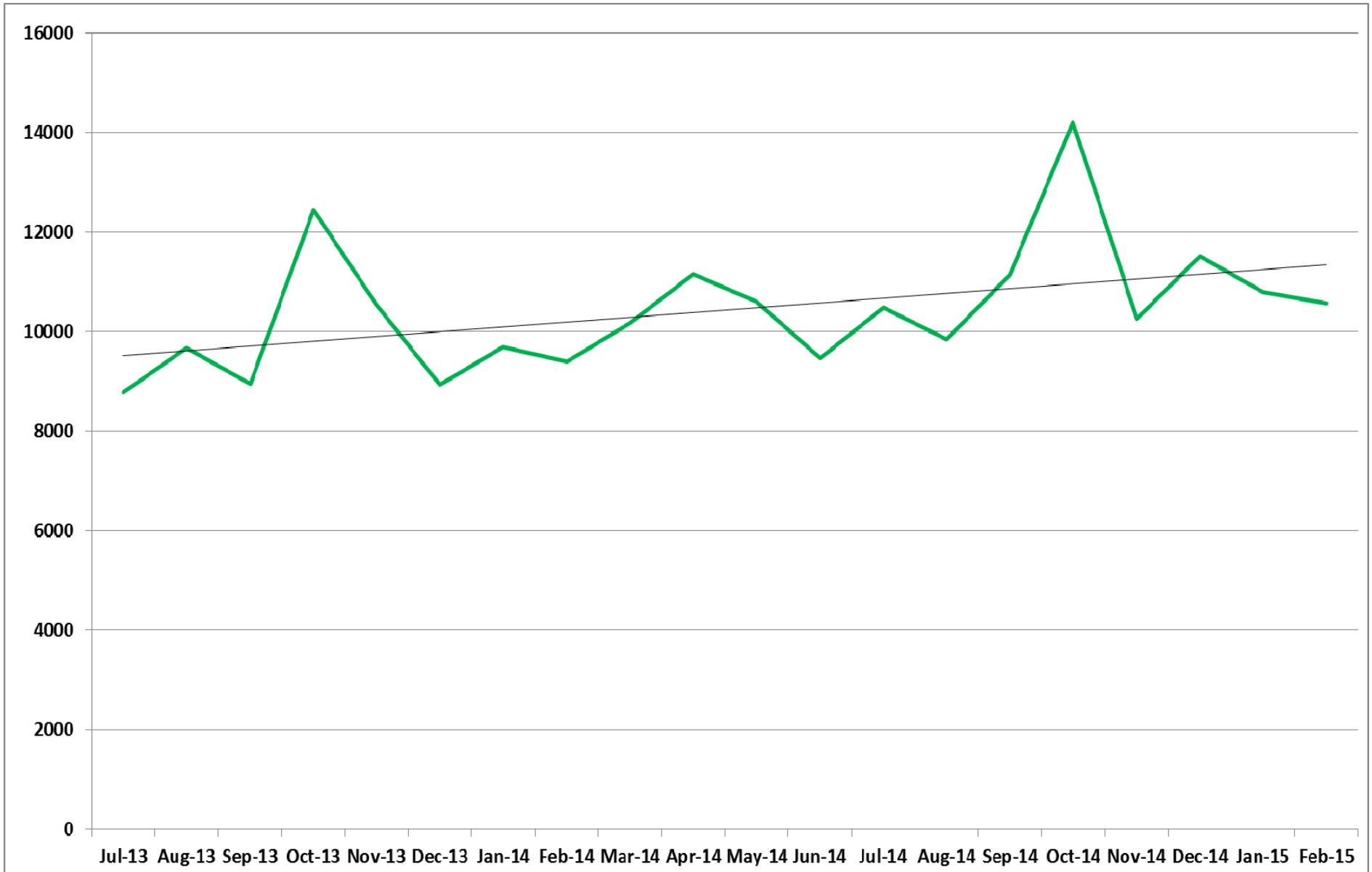
Fiscal Year to Date February 2015



Operating Review (YTD)	FY15 Actual				FY14 Actual *				Variance to Prior Year	%
	On-Site	IRL	UICMS & QuickCare	Total	On-Site	IRL	UICMS & QuickCare	Total		
Family Medicine	33,311		84,340	117,651	35,483		78,229	113,712	3,939	3.5%
General Internal Medicine		16,865		16,865		16,586		16,586	279	1.7%
Pediatrics		14,230		14,230		13,388		13,388	842	6.3%
<i>Subtotal - Primary Care</i>	<i>33,311</i>	<i>31,095</i>	<i>84,340</i>	<i>148,746</i>	<i>35,483</i>	<i>29,974</i>	<i>78,229</i>	<i>143,686</i>	<i>5,060</i>	<i>3.5%</i>
Burn Clinic	2,070			2,070	2,035			2,035	35	1.7%
Center for Disabilities & Development	5,928			5,928	5,815			5,815	113	1.9%
Center for Digestive Disease	13,181	2,366		15,547	13,190	2,536		15,726	(179)	-1.1%
Clinical Cancer Center	31,843			31,843	36,004			36,004	(4,161)	-11.6%
Dermatology	15,302	6,121		21,423	14,333	3,966		18,299	3,124	17.1%
General Surgery	10,850			10,850	10,153			10,153	697	6.9%
Hospital Dentistry	10,233			10,233	10,681			10,681	(448)	-4.2%
Internal Medicine	19,759	4,231		23,990	23,320	2,310		25,630	(1,640)	-6.4%
Neurology	9,679			9,679	8,651			8,651	1,028	11.9%
Neurosurgery	7,735			7,735	7,525			7,525	210	2.8%
Obstetrics/Gynecology	36,164	15,661		51,825	32,828	13,779		46,607	5,218	11.2%
Ophthalmology	41,411	5,490		46,901	41,735	4,823		46,558	343	0.7%
Orthopedics	46,926	170		47,096	47,976			47,976	(880)	-1.8%
Otolaryngology	13,032	3,049		16,081	13,139	3,257		16,396	(315)	-1.9%
Pediatrics	38,365			38,365	35,288			35,288	3,077	8.7%
Psychiatry	22,849			22,849	21,522			21,522	1,327	6.2%
Urology	9,102	5,667		14,769	9,167	5,643		14,810	(41)	-0.3%
UI Heart Center	11,629	4,627		16,256	10,630	3,531		14,161	2,095	14.8%
<i>Subtotal – Specialty Care</i>	<i>346,058</i>	<i>47,382</i>		<i>393,440</i>	<i>343,992</i>	<i>39,845</i>		<i>383,837</i>	<i>9,603</i>	<i>2.5%</i>
Total	379,369	78,477	84,340	542,186	379,475	69,819	78,229	527,523	14,663	2.8%

* from ongoing operations
 Greater than 2.5% Favorable Neutral Greater than 2.5% Unfavorable

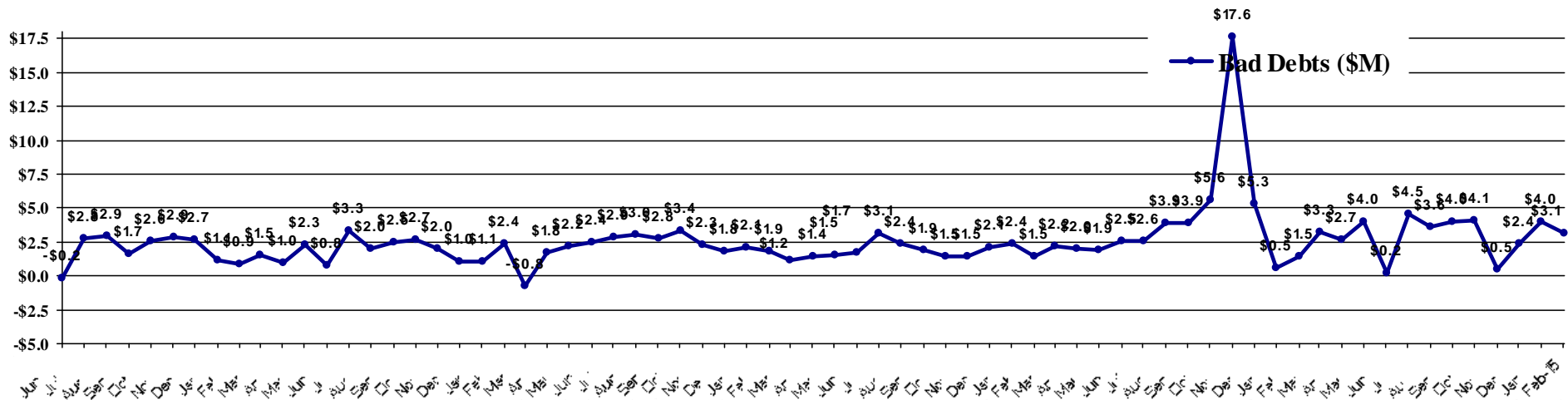
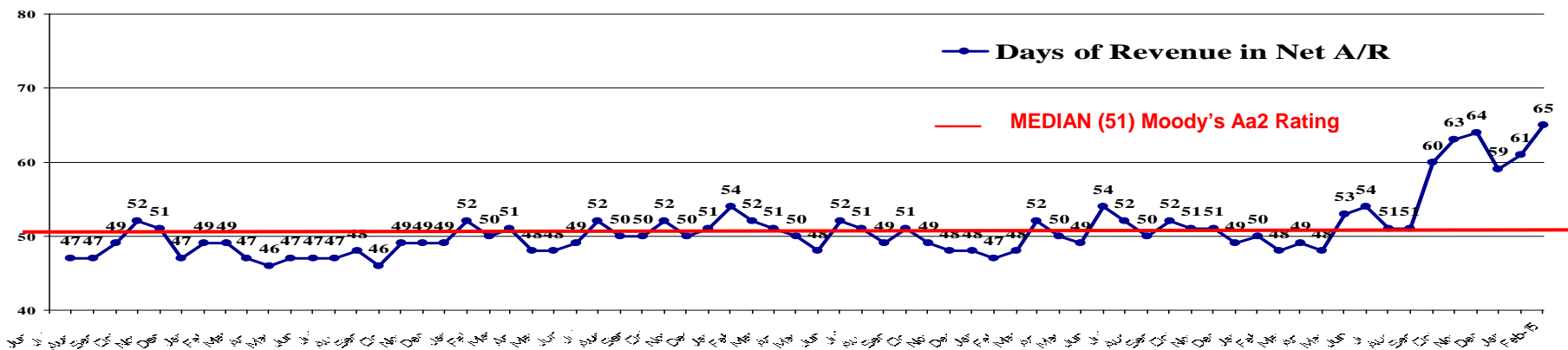
Iowa River Landing Ambulatory Visits



Comparative Accounts Receivable at February 28, 2015



	June 30, 2013	June 30, 2014	February 28, 2015
Net Accounts Receivable	\$161,942,694	\$176,695,824	\$223,161,131
Net Days in AR	54	54	65



UIHC Comparative Financial Results

February 2015



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	\$97,014	\$95,203	\$89,049	\$1,811	1.9%	\$7,965	8.9%
Other Operating Revenue	4,252	4,371	4,249	(119)	-2.7%	3	0.1%
Total Revenue	\$101,266	\$99,574	\$93,298	\$1,692	1.7%	\$7,968	8.5%

EXPENSES:

Salaries and Wages	\$49,710	\$49,801	\$47,638	(\$91)	-0.2%	\$2,072	4.4%
General Expenses	41,801	41,767	37,682	34	0.1%	4,119	10.9%
Operating Expense before Capital	\$91,511	\$91,568	\$85,320	(\$57)	-0.1%	\$6,191	7.3%
Cash Flow Operating Margin	\$9,755	\$8,006	\$7,978	\$1,749	21.9%	\$1,777	22.3%
Capital- Depreciation and Amortization	6,100	6,720	6,017	(620)	-9.2%	83	1.4%
Total Operating Expense	\$97,611	\$98,288	\$91,337	(\$677)	-0.7%	\$6,274	6.9%

Operating Income	\$3,655	\$1,286	\$1,961	\$2,369	184.2%	\$1,694	86.4%
Operating Margin %	3.6%	1.3%	2.1%		2.3%		1.5%
Gain (Loss) on Investments	2,571	2,110	1,519	461	21.9%	1,052	69.3%
Other Non-Operating	(1,137)	(740)	(1,390)	(397)	-53.7%	253	18.1%
Net Income	\$5,089	\$2,656	\$2,090	\$2,433	91.6%	\$2,999	143.5%
Net Margin %	5.0%	2.6%	2.2%		2.4%		2.8%

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

UIHC Comparative Financial Results

Fiscal Year to Date February 2015



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	\$811,340	\$788,150	\$744,320	\$23,190	2.9%	\$67,020	9.0%
Other Operating Revenue	34,813	35,070	33,053	(257)	-0.7%	1,760	5.3%
Total Revenue	\$846,153	\$823,220	\$777,373	\$22,933	2.8%	\$68,780	8.8%

EXPENSES:

Salaries and Wages	\$400,150	\$403,671	\$385,314	(\$3,521)	-0.9%	\$14,836	3.9%
General Expenses	349,597	346,792	321,448	2,805	0.8%	28,149	8.8%
Operating Expense before Capital	\$749,747	\$750,463	\$706,762	(\$716)	-0.1%	\$42,985	6.1%
Cash Flow Operating Margin	\$96,407	\$72,758	\$70,611	\$23,649	32.5%	\$25,796	36.5%
Capital- Depreciation and Amortization	49,492	53,757	49,123	(4,265)	-7.9%	369	0.8%
Total Operating Expense	\$799,239	\$804,220	\$755,885	(\$4,981)	-0.6%	\$43,354	5.7%

Operating Income	\$46,914	\$19,000	\$21,488	\$27,914	146.9%	\$25,426	118.3%
Operating Margin %	5.5%	2.3%	2.8%		3.2%		2.7%
Gain on Investments	10,245	16,889	25,613	(6,644)	-39.3%	(15,368)	-60.0%
Other Non-Operating	(5,656)	(5,919)	(8,810)	263	4.4%	3,154	35.8%
Net Income	\$51,503	\$29,971	\$38,291	\$21,532	71.8%	\$13,212	34.5%
Net Margin %	6.1%	3.6%	4.8%		2.5%		1.3%

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



FY16 Operating Budget

Ken Kates, Associate Vice President &
Chief Executive Officer, UI Hospitals & Clinics

Ken Fisher, Associate Vice President for Finance
and Chief Financial Officer, UI Hospitals & Clinics

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”.
- The plan is based upon the singular mission, “Changing Medicine. Changing Lives” and articulates a far-reaching vision of “World Class People. World Class Medicine. For Iowa and the World.”
- This emphasis on excellence and being the best possible provider of patient care for Iowans, a recognized leader in medical education and a center for leading edge research is rooted in the UI Health Care shared values of innovation, collaboration, accountability, respect and excellence.

Goals

Clinical Quality &
Service

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

Research

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

Education

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

People

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

Diversity

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

Growth &
Finance

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

Measuring Plan Performance

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

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

Strategies:

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

Strategic Metrics - Creating linkages among all units

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

Margin Expectations

- Each CCOM department is expected to achieve breakeven at an “all funds” level
- UI Hospital and Clinics is expected to achieve an operating margin of 3.5% of net operating revenue

Capital Planning

- UI Hospital and Clinics will fund \$243.3 million in capital projects and routine equipment for FY2016.
 - Major Projects
 - Children's Hospital – \$113.0 M
 - UIHC Support Services Building – \$17.0 M
 - Backup generator for JPP – \$12.0 M
 - Main OR additional rooms – \$12.0 M
 - Pediatric Cath Lab and Levels 5 and 6 JPP Infill – \$8.2 M
 - Pediatric and Psychiatric Office Relocation – \$7.0 M
 - Clinical Equipment – \$6.3 M
 - IT hardware and software – \$3.2 M
 - Other routine renovation and equipment replacement – \$64.6 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

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

Expense Forecast

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

HOSPITAL & CLINICS BUDGET PROJECTIONS

UI Health Care Operating Budget FY2016

UI Health Care – Key Drivers

Revenue		
Volume Growth		
Inpatient		2.26%
Outpatient		4.75%
Physician Work RVUs		3.47%
ALOS Reduction (.02 days)		0.30%
Case Mix Increase		1.50%
Payor Rate Increase		0.50%
Charge Increase		6.00%
Expense		
Salary Increase Assumptions		
SEIU		2.75%
Merit		3.79%
P&S		2.75%
Faculty		2.00%
Blended Fringe Benefit Rate		37.60%
Non-Salary Increase Assumptions		
Drugs		6.00%
Supplies		2.50%
Utilities		2.00%
Other Non-Salary Expenses		2.50%

UIHC FY2016 Operating Budget (Preliminary)



	PRELIMINARY BUDGET 2016	Projected 2015	Actual 2014
Net Operating Revenue			
Net Patient Revenue	\$ 1,275,854	\$ 1,224,139	\$ 1,139,952
Other Operating Revenue	53,148	52,719	49,580
Total Net Operating Revenue	<u>\$ 1,329,002</u>	<u>\$ 1,276,858</u>	<u>\$ 1,189,532</u>
Operating Expenses			
Salary, Benefits, and Contract Labor	\$ 628,795	\$ 601,077	\$ 571,112
Supplies and Drugs	289,583	267,572	247,318
Services	172,016	154,608	137,274
Capital Expenses	33,451	29,422	32,801
Insurance	2,885	2,801	2,788
licenses, Fees, and Other Expenses	75,399	70,241	70,010
Total Operating Expenses	<u>\$ 1,202,129</u>	<u>\$ 1,125,721</u>	<u>\$ 1,061,304</u>
Cash Flow Operating Margin	<u>\$ 126,873</u>	<u>\$ 151,137</u>	<u>\$ 128,228</u>
CFO Margin %	9.5%	11.8%	10.8%
Depreciation	\$ 80,705	\$ 74,762	\$ 73,640
Operating Income	<u>\$ 46,168</u>	<u>\$ 76,375</u>	<u>\$ 54,589</u>
Operating Margin %	3.5%	6.0%	4.6%
Non-operating Income	\$ 9,106	\$ 8,982	\$ 45,294
Net Income	<u>\$ 55,274</u>	<u>\$ 85,358</u>	<u>\$ 99,882</u>
Net Income Margin %	4.2%	6.7%	8.4%

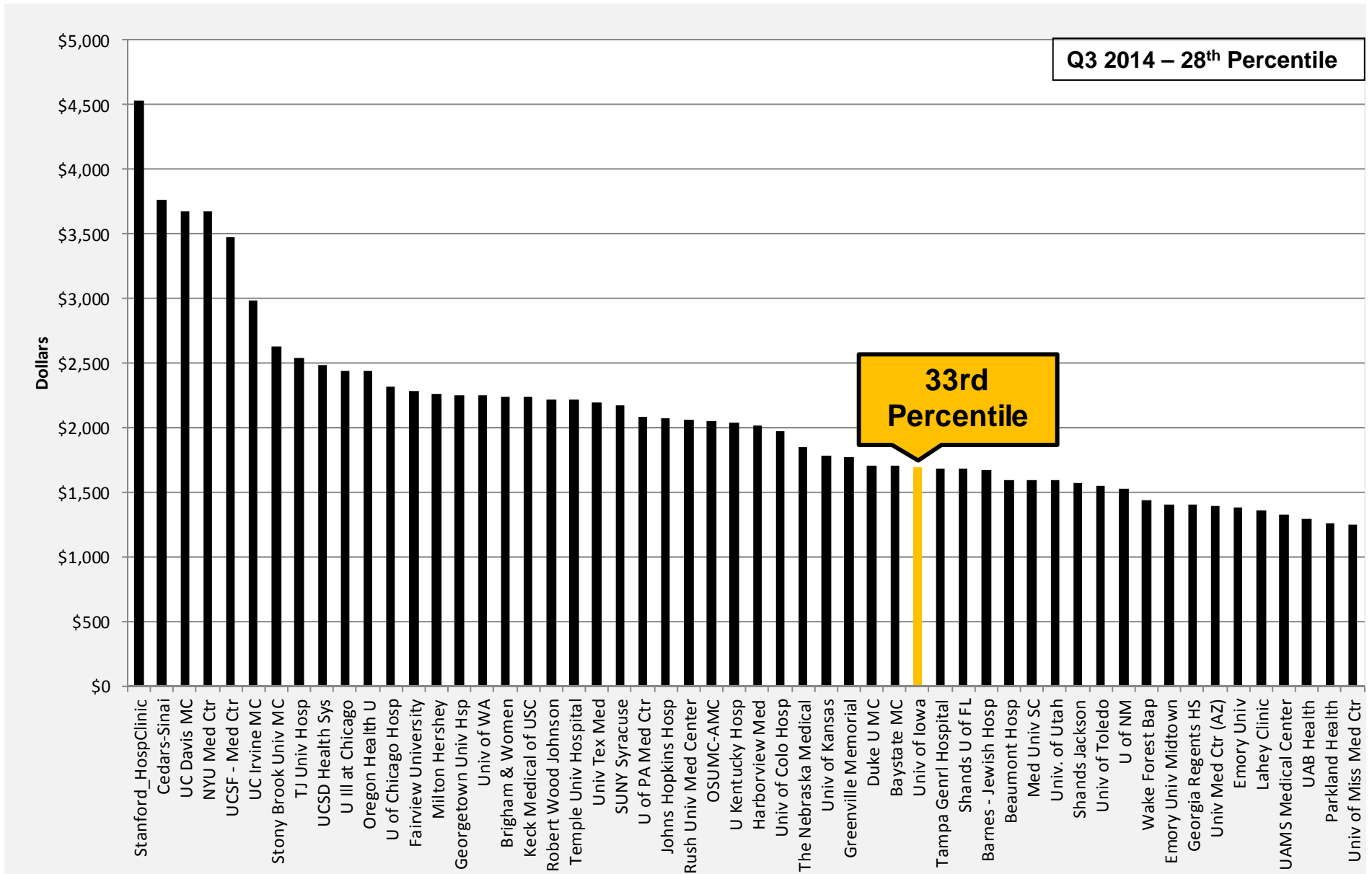
Summary of Proposed Budget

- UI Hospitals and Clinics
 - Risks
 - Payment Risk:
 - Payer mix changes
 - Governmental budget cuts and reform impacts
 - Movement of volumes to the outpatient setting
 - Medicare OP payment methodology continues to bundle more services into single payment
 - ICD-10 Conversion
 - Opportunities
 - Continue increasing access through centralized scheduling

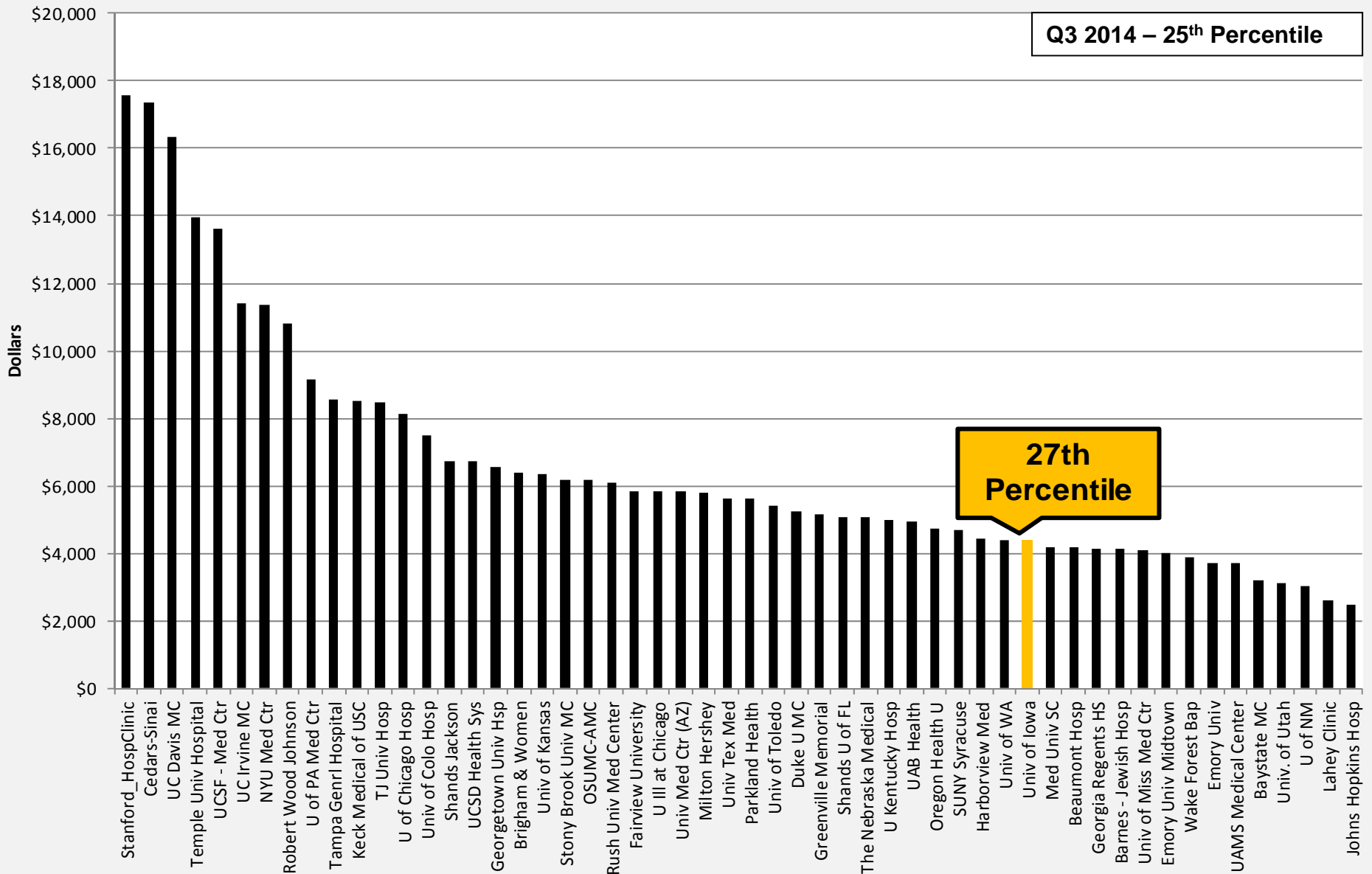
Headwinds

- Governmental Payers – FY16 Projected Payment Reductions
- Medicare
 - Sequestration expected to continue – (\$6.4M) estimated impact
 - Increased payment adjustment tied to defined quality measures
- Medicaid
 - Move towards Managed Care Medicaid effective Jan. 1, 2016
 - Rate rebase effective in FY15/16 – impact to UIHC unknown as IME is still completing its review
- Other Payers
 - State exchange's future unclear
 - ACO's and changing marketplace of products

Net Operating Revenue per CMI Weighted Adjusted Patient Day



Gross Revenue per CMI Weighted Adjusted Patient Day



Chargemaster Price Increase

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