

FY 2007 Proposed Budget

University of Iowa Hospitals and Clinics

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

May 3, 2006

Table of Contents

I.	FY 2007 Budget Builds on Accomplishments	Page 3-7
II.	Strategic Plan and Development of Clinical Programs	Page 8-11
III.	Operating Expenses and Budgeted Efficiencies	Page 12-16
IV.	Revenue Plan- Reimbursement Rates and Charge Increase	Page 17-23
V.	Proposed FY 2007 Budget and Financial Ratios	Page 24-28
VI.	Proposed FY 2007 Capital Budget	Page 29-30

Appendices:

A.	Historical Trends	Page 32-36
B.	Market Share and Clinical Program Development	Page 37-41
C.	Supplemental Schedules	Page 42-53

I. Building on Accomplishments

FY 2007 Budget Builds Upon Prior Years' Accomplishments and Looks to the Future:

- Enhanced the quality of care for all patients while fulfilling the mission of providing care to those unable to pay.
- Maintained focus on all three missions- patient care, education, and research in partnership with the Carver College of Medicine and Faculty Practice Plan.
- Recruited eight new Clinical Department Heads in major CCOM departments.
- Maintained a vital and engaged cadre of professional health care staff. First hospital in the State to receive Magnet Status for Nursing from the American Nurses Credentialing Center.
- Achieved targeted margins and maintained a very high bond rating (Moody's Aa2, Standard & Poor's AA).

I. Building on Accomplishments

Enhanced Patient Care

- Provide care at 280 outreach clinics in 51 Iowa communities; including child health specialty clinics in 14 Iowa communities.
- Cared for patients who were nearly twice as sick as those cared for in other Iowa Hospitals (1.70 case mix index at the UIHC versus 0.96 CMI in all Iowa hospitals for all acute patients).
- Improved statewide market share to 7.0% – market leader in Johnson County.
- Received full JCAHO accreditation – December 10, 2004.
- One of only two Level I Trauma Centers in State of Iowa.
- Only burn center in State verified by American Burn Association.
- World class neonatal intensive care unit with standardized mortality rate at 6th percentile nationally (Vermont Oxford Scale).

I. Building on Accomplishments

Education

- 2,395 students train annually in 47 health science programs including 380 nursing, 96 pharmacy, 174 radiology technician, and 95 physical and occupational therapists, among others.
- 663 UIHC resident and fellowship trainees in 23 specialties and multiple subspecialty training programs.
- Half of all physicians in Iowa have trained at the UIHC.
- Continuing education and practical experiences for over 600 other health professionals from statewide communities.
- Continuing educational classes for physicians from Iowa and across the nation.
- Ranked 9th among 125 US medical schools in primary care by *US News & World Report*.

I. Building on Accomplishments

Research Highlights

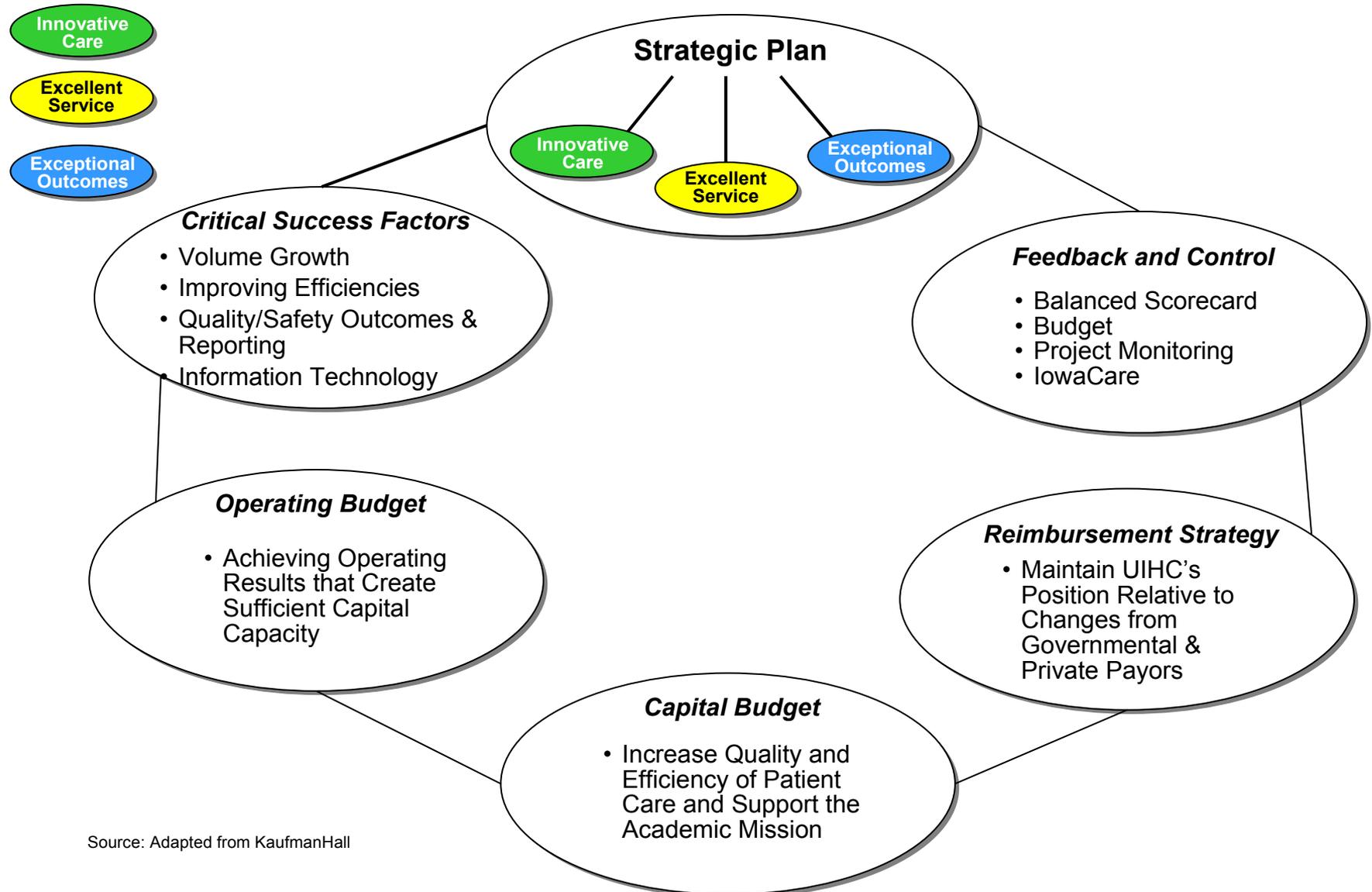
- The UI Carver College of Medicine was awarded more than \$164 million in external funding last year.
- Among public medical schools, CCOM ranked 13th in FY04 based on NIH funding.
- Seven CCOM departments rank in the top 20 medical schools in terms of NIH funding:
 - orthopaedics, pediatrics, otolaryngology, microbiology, radiation oncology, urology, anesthesiology
 - Each one of these departments ranks in the top 10 peer departments in public medical schools.

I. Building on Accomplishments

Financial Management

- Achieved targeted operating margins.
- Held operating cost per unit of service increases to 3.9% over the last 3 years, significantly below the rate of healthcare inflation of 14.9% (PPI general and surgical hospital inflation CY 2003 to CY 2005).
- Increased productivity by 2.0% on an annual basis for last two years.
- Accomplished supply chain management efficiencies resulting in over \$17.3 million in inventory and cost savings over three years.
- Funded an annual average of \$88.6 million dollars of capital with no state capital support.
- Reduced net days in accounts receivable from 107 to 49 days.
- Completed eight Lean Sigma projects enhancing patient access, while reducing non-value added steps and waste.
- Instituted more disciplined decision-making related to operating and capital budgets. Implemented productivity-based labor budgeting.

II. Strategic Plan & Development of Clinical Programs



Source: Adapted from KaufmanHall

II. Strategic Plan & Development of Clinical Programs

Strategic Priorities Lead to Critical Success Factors

Key Strategic Priorities

Innovative Care

Innovative Care

- New and More Efficient Healthcare Delivery Models
- Positioning Select UIHC Clinical Services

Excellent Service

Excellent Service

- Patient and Family Satisfaction
- Referring Physician Satisfaction
- Engaged Faculty, Staff and Volunteers

Exceptional Outcomes

Exceptional Outcomes

- Patient and Staff Safety
- Clinical Outcomes

Critical Success Factors

- **Volume Growth**
- **Improving Efficiencies**
- **Quality/ Safety Outcomes and Reporting**
- **Information Technology**

II. Strategic Plan & Development of Clinical Programs



Development of Clinical Programs

Primary Strategic Focus

- Cardiovascular
- Children's Hospital of Iowa*
- Neurosciences
- Oncology

Continued Clinical Development

- Burn Unit
- Geriatrics
- Orthopedics/ Sports Medicine
- Otolaryngology
- Trauma Program*
- Transplantation
- Urology

Continued Support

- Digestive Disorders
- Gynecology
- Kidney Diseases
- Obstetrics
- Ophthalmology and Visual Sciences
- Plastic Surgery
- Psychiatry
- Respiratory Disorders

Projected Net Growth

- Inpatient Admissions 3.0%
- Outpatient Visits 2.0%

* Service Lines are not mutually exclusive.

II. Strategic Plan & Development of Clinical Programs



Development of Clinical Programs

Primary Strategic Focus	<u>% Net Revenue</u>	<u>% Contribution Margin</u>
• Cardiovascular	13.3	18.7
• Children's Hospital of Iowa*	21.0	18.9
• Neurosciences	9.0	10.4
• Oncology	6.8	10.2

* Service Lines are not mutually exclusive

III. Operating Expenses and Budgeted Efficiencies

Summary FY2007 Inflation and Volume Impact Expense Increases Over FY 2006 Projected

	Cost Due to Inflation	Cost Due to Volume Increases	Inflation & Volume
Salaries & Wages- SEIU, AFSCME and other	\$13.7	\$7.5	\$21.2
Benefits	10.0	2.6	12.6
Supplies – 4% inflation	3.8	2.3	6.1
Drugs – 7% inflation	4.0	1.5	5.5
Medical Directorships	2.7		2.7
Maintenance Contracts	1.0		1.0
Utilities – 9% inflation	1.9		1.9
Depreciation Expense	2.9		2.9
Other Operating Expense – 2.5-4.5% inflation	4.0	1.3	4.0
Total Expense Growth	\$44.0	\$15.2	\$59.2

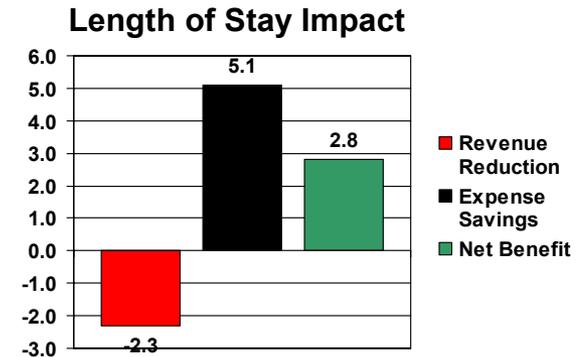
III. Operating Expenses and Budgeted Efficiencies



Improving Efficiencies

- Length of Stay Management

- Decrease in average length of stay from 6.68 to 6.40 days.
- Results in reduction of 7,283 patient days, \$18 million reduction in charges, \$2.3 million reduction in net revenue, and \$5.1 million in expense savings for net benefit of \$2.8 million.



- Productivity

- 2.0% productivity improvement yields \$5.9 million in labor savings and \$2.1 million in benefits savings, totaling \$8.0 million in savings.
- No increase in agency utilization. UIHC agency experience, especially in nursing, is dramatically below other academic medical center experience.

III. Operating Expenses and Budgeted Efficiencies



Improving Efficiencies- Con't

- Supply Chain Management
 - Initiatives holding medical supply increases to 1.7% versus inflation of 4.0%, a savings of \$2.0 million.
- Pharmacy and Therapeutics Committee
 - Initiatives holding drug cost increases to 2.0% versus inflation of 7.0%, a savings of \$2.7 million.
- Ambulatory Care Division
 - Outside consultation initiated to improve access and efficiency in the provision of outpatient services, in collaboration with Carver College of Medicine.
- Operating Room Efficiency
 - Project to enhance the scheduling, turn around times, supply costs, and other components of the surgical services suite.

III. Operating Expenses and Budgeted Efficiencies

Summary FY2007 Inflation, Volume, and Efficiency Impact Expense Increases Over FY 2006 Projected

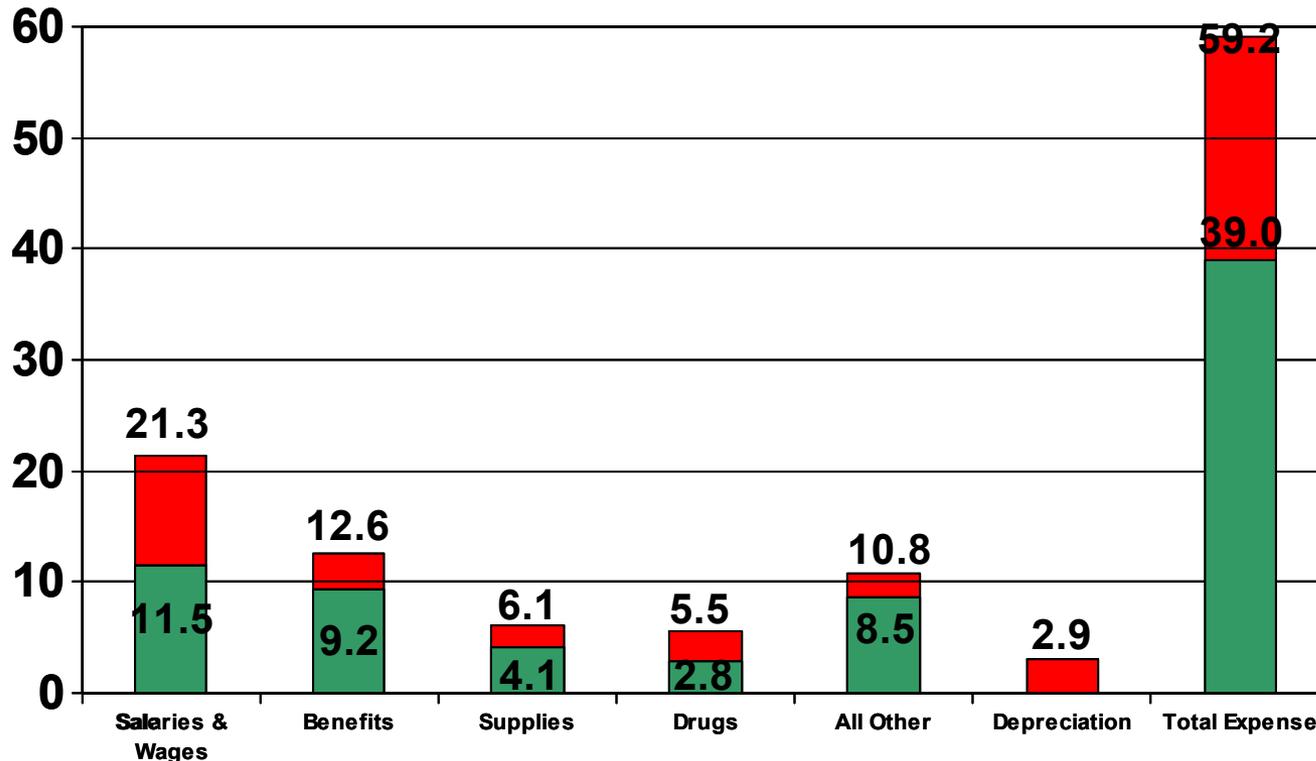
	Cost Due to Inflation	Cost Due to Volume Increases	Efficiency Initiatives	FY 2007 Budgeted Cost Increase
Salaries & Wages- SEIU, AFSCME and other	\$13.7	\$7.5	\$(9.7)	\$11.5M
Benefits	10.0	2.6	(3.4)	9.2M
Supplies – 4% inflation	3.8	2.3	(2.0)	4.1M
Drugs – 7% inflation	4.0	1.5	(2.7)	2.8M
Medical Directorships	2.7			2.7M
Maintenance Contracts	1.0			1.0M
Utilities – 9% inflation	1.9			1.9M
Depreciation Expense	2.9			2.9M
Other Operating Expense – 2.5-4.5% inflation	4.0	1.3	(2.3)	3.0M
Total Expense Growth	\$44.0	\$15.2	\$(20.2)	\$39.0M

III. Operating Expenses and Budgeted Efficiencies

Operating Costs With Efficiency Initiatives

Growth in Budget of 2007 vs. Projected 2006

\$ MILLIONS



*Assumes length of stay reduction of .28 day, 2% average productivity improvement, limit supply inflation to 1.7%, limit drug cost inflation to 2.0%.

 Projected Inflationary Cost Increases

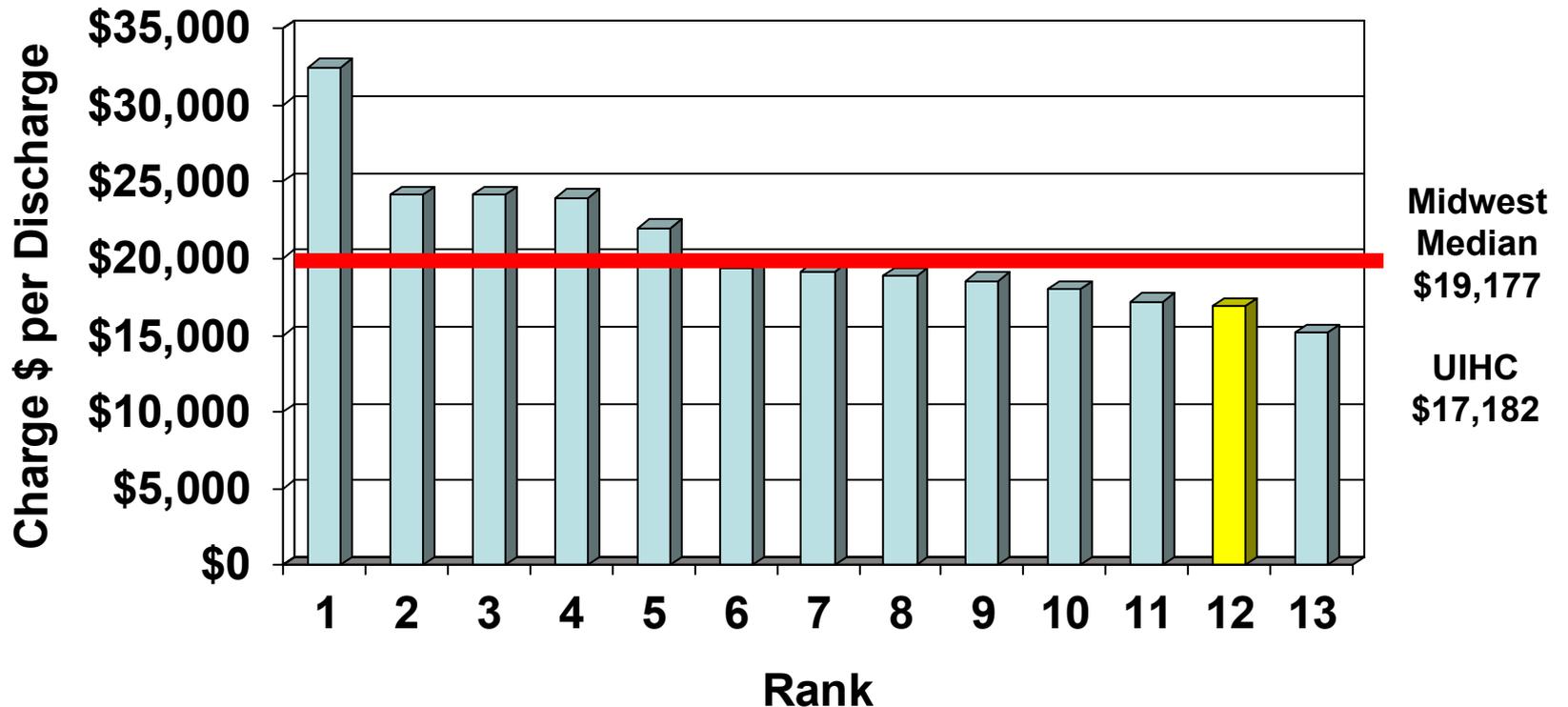
 Managed Cost Increases

IV. Revenue Plan

Summary FY2007 Rate and Volume Revenue Impact Increases Over FY 2006 Projected

	<u>Rate</u>	<u>Volume</u>	FY 2007 <u>Budget</u>
Medicare – <i>payment update reduced from 3.25% to 2.8% IPPS Prop Rule, Med Ed Factor Reduction</i>	\$3.3M	\$4.8M	\$8.1M
Medicaid – <i>\$2.2 if proposed 3.0% update approved by CMS</i>	2.2	2.1	4.3
IowaCare – <i>no increase in appropriation</i>	0.0	0.0	0.0
State Institution Patients – <i>no payment for services</i>	0.0	0.0	0.0
Wellmark – <i>update of 3.85% to Nov 1, unknown thereafter</i>	2.3	2.3	4.6
Wellmark – <i>After Nov 1 if increase is 3.85%</i>	4.7	4.0	8.7
Others – Commercial, Managed Care, and Self Pay	9.7	4.4	14.1
TOTAL	\$22.2M	\$17.6M	\$39.8M

Midwest Academic Medical Centers Case Mix Adjusted Charges per Discharge CY 2005

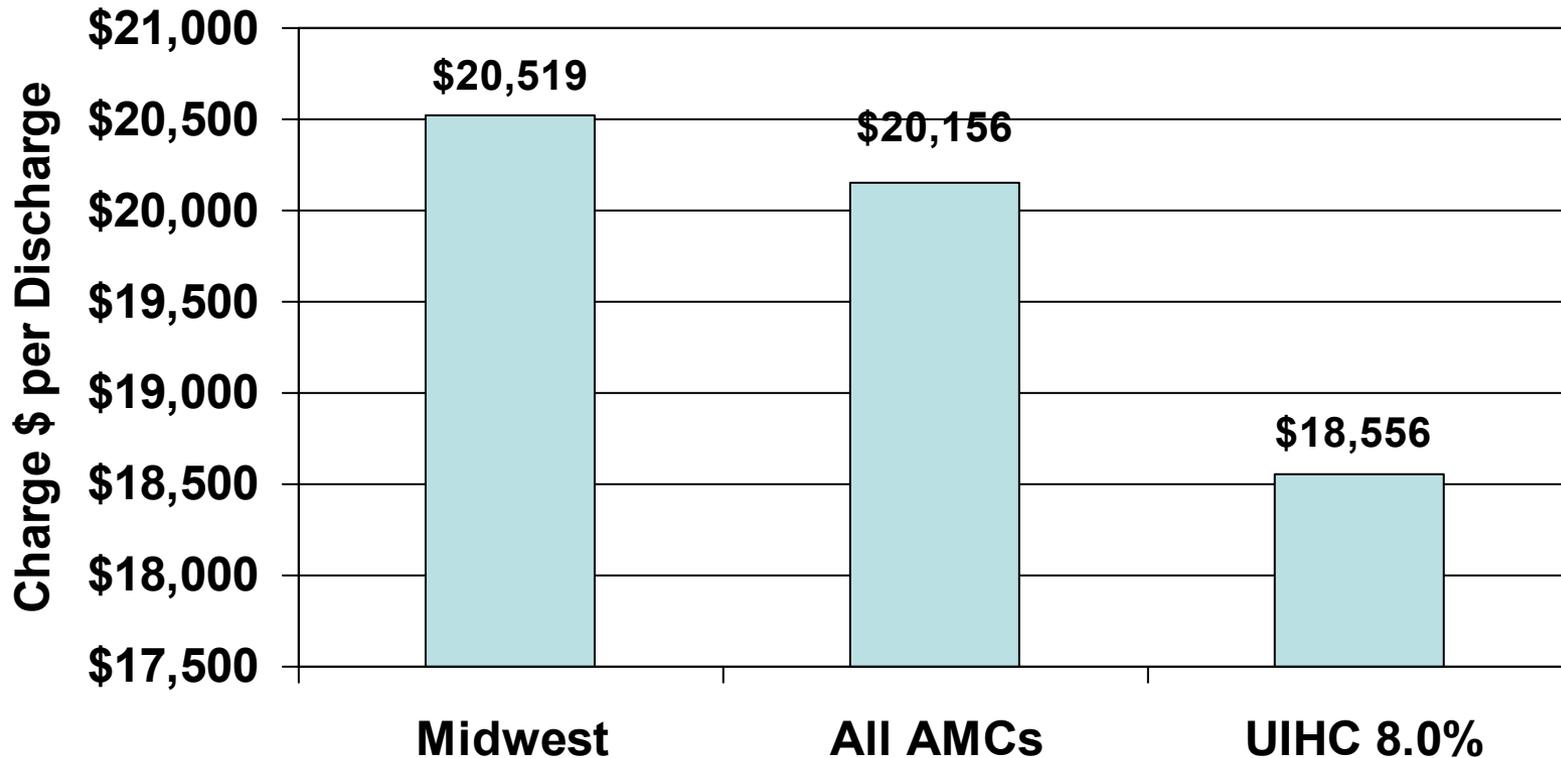


Source: University Healthsystem Consortium, case mix adjusted average charges per inpatient discharge.

Other Providers Planned Charge Increases

- University HealthSystem Consortium members (UHC) anticipate rate increases in the 4-10% range, averaging 7%. Average anticipated price increase for Midwest UHC members is 6%.
- Iowa Hospital Association projects a 7-8% increase for Iowa Hospitals.
- Each 1.0% rate increase at UIHC translates to a 0.18% actual increase in net patient revenue, or approximately \$1.2 million.
- UIHC continues to lag academic medical center peers by as much as 20%.
- UIHC has historically lagged state-wide rate increases at other hospitals.

Projected FY2007 Comparison to Other Academic Medical Centers after Charge Increase



Source: University Healthsystem Consortium, case mix adjusted median charges per inpatient discharge, rolled forward with avg 7% CDM increase.

Why do hospitals need to increase charge structure?

- Though the majority of the primary insurance payors for patients are on a type of “fixed” payment methodology, most contracts have stop-loss, outlier, and percent of charge components that are charge sensitive.
- Medicare outlier payments are determined by charges per case.
- Charges effect new technology rate setting.
- Charges effect Ambulatory Payment Classification (APC) rate setting.
- Maintaining charge structure comparable with peer institutions impacts Medicare rates in future years. The overall Medicare budget is a “zero-sum game” and to the extent Iowa rates fall behind other states, Federal dollars will go elsewhere.
- Self pay patients are eligible for the uncompensated care discount policy.

Proposed Multi-year Plan for UIHC Financial Vitality and Rate Predictability

- Set minimum base annual rate increase at projected medical inflation rate. Attempt to bring charge level to 50th percentile of comparative academic medical centers over time.
- Set annual budgets to progressively increase operating margin needed for funding the capital needs of a state-of-the-art academic medical center.
- Ensure charge levels are competitive with community hospitals on selected, price sensitive services.

For Fiscal Year 2006-2007

- 8.0% rate increase
- 3.4% operating margin

The proposed rate increase is comparable to other Iowa Hospitals, other academic medical centers and is average compared to the rate of inflation. This rate increase is *needed* to maintain:

- Quality patient care.
- Focus on the missions of education and research.
- Bond rating – helps to preserve University and State bond ratings.
- Ability to fund capital needs without State support.
- Ability to replace aging facilities and equipment.
- UIHC as a high quality academic medical center and a strong resource for the State of Iowa.

FY 2007 Operating Budget Assumptions

Income Statement

- Volume growth- Inpatient Admissions 3.0% increase, outpatient visits 2.0% increase.
- Earnings Before Depreciation, Interest, Taxes, and Amortization (EBDITA) margin budgeted at 10.7% or EBDITA of \$81.0 million.
- Operating margin budgeted at 3.4%, or operating income of \$25.7 million. This is below the Moody's Aa median of 4.1%. The margin is required to generate future capital capacity.

Balance Sheet

- Net days in patient accounts receivable at 49 days, reflective of improved revenue cycle performance and payor mix changes.
- Assumes issuing \$75 million of revenue bonds, which will bring the debt to capitalization ratio to 10.9%, significantly below the Aa median of 32.0%.
- Days cash on hand at year-end projected to be 252 days with Aa median of 235 days (assumes the issue of \$75 million in revenue bonds, days cash on hand will be 211 if bonds are not issued).

V. Proposed FY 2007 Budget

Budget FY2007

Versus Projected FY2006 and FY2005 Actual

	Budget	Projected	Actual	Variance \$	Variance %
	FY 2007	FY 2006	FY 2005	FY07 to Proj FY06	FY07 to Proj FY06
Net Patient Revenues	\$ 702,208,433	\$ 662,389,460	\$ 597,046,492	\$ 39,818,974	6.0%
State Appropriations	13,406,324	13,406,324	40,690,905	-	0.0%
Other Operating Income	39,676,170	38,150,164	38,897,731	1,526,007	4.0%
Total Net Revenue	\$ 755,290,928	\$ 713,945,948	\$ 676,635,128	\$ 41,344,980	5.8%
Operating Expenses:					
Salaries, Wages & Benefits	387,814,915	367,079,169	350,886,139	20,735,745	5.6%
Supplies and Drugs	146,140,402	139,244,981	136,180,584	6,895,422	5.0%
Medical and Professional Services	64,837,144	60,733,540	48,761,036	4,103,604	6.8%
Repairs and Maintenance	12,895,519	12,580,994	12,357,544	314,525	2.5%
Rents and Leases	4,767,262	4,650,987	4,786,972	116,275	2.5%
Utilities	22,862,103	20,974,407	19,648,560	1,887,697	9.0%
General Expenses	34,976,457	32,887,539	32,076,871	2,088,917	6.4%
Total Operating Expenses	674,293,802	638,151,617	604,697,706	36,142,185	5.7%
EBDITA	\$ 80,997,125	\$ 75,794,330	\$ 71,937,422	\$ 5,202,795	6.9%
EBDITA %	10.7%	10.6%	10.6%		
Total Depreciation & Amortization	55,312,641	52,442,432	51,429,812	2,870,209	5.5%
Operating Income	\$ 25,684,484	\$ 23,351,899	\$ 20,507,610	\$ 2,332,586	10.0%
Operating Income %	3.4%	3.3%	3.0%		
Non-recurring Items	-	4,275,249	6,610,665	(4,275,249)	-100.0%
Gain (Loss) on Investments	9,862,153	9,573,408	11,169,791	288,745	3.0%
Net Income (Loss)	\$ 35,546,638	\$ 37,200,556	\$ 38,288,066	\$ (1,653,919)	-4.4%
Net Income %	4.6%	5.1%	5.6%		

Aa Bond Rating Key Financial Ratio Comparison

	UIHC FY 07 Budget*	Median Moody's Aa Rating**
Days Cash on Hand	252.0	235.0
EBDITA Margin	10.7%	11.2%
Operating Margin	3.4%	4.1%
Debt to Capitalization Percent	10.9%	32.0%
Days in Accounts Receivable	49.0	53.5
Average Age of Plant	8.5	9.0

* Assumes issuance of \$75.0 million of debt in FY 2007.

** Data is compiled from Moody's Investors Service publication "Not for Profit Healthcare: 2005 Outlook and Medians."

FY 2007 Operating Budget Assumptions

The Need for Capital Reserves

- The University of Iowa Hospitals and Clinics obtain all of their required capital from self-generated sources, without the benefit of any state capital appropriations.
- The hospital should be positioned to both refurbish and replace facilities and equipment on a timely basis as well as take advantage of market opportunities as they arise. UIHC is currently completing its master facilities plan.
- Working capital requirements- average daily operating expenses of \$1.85 million projected for FY 2007.

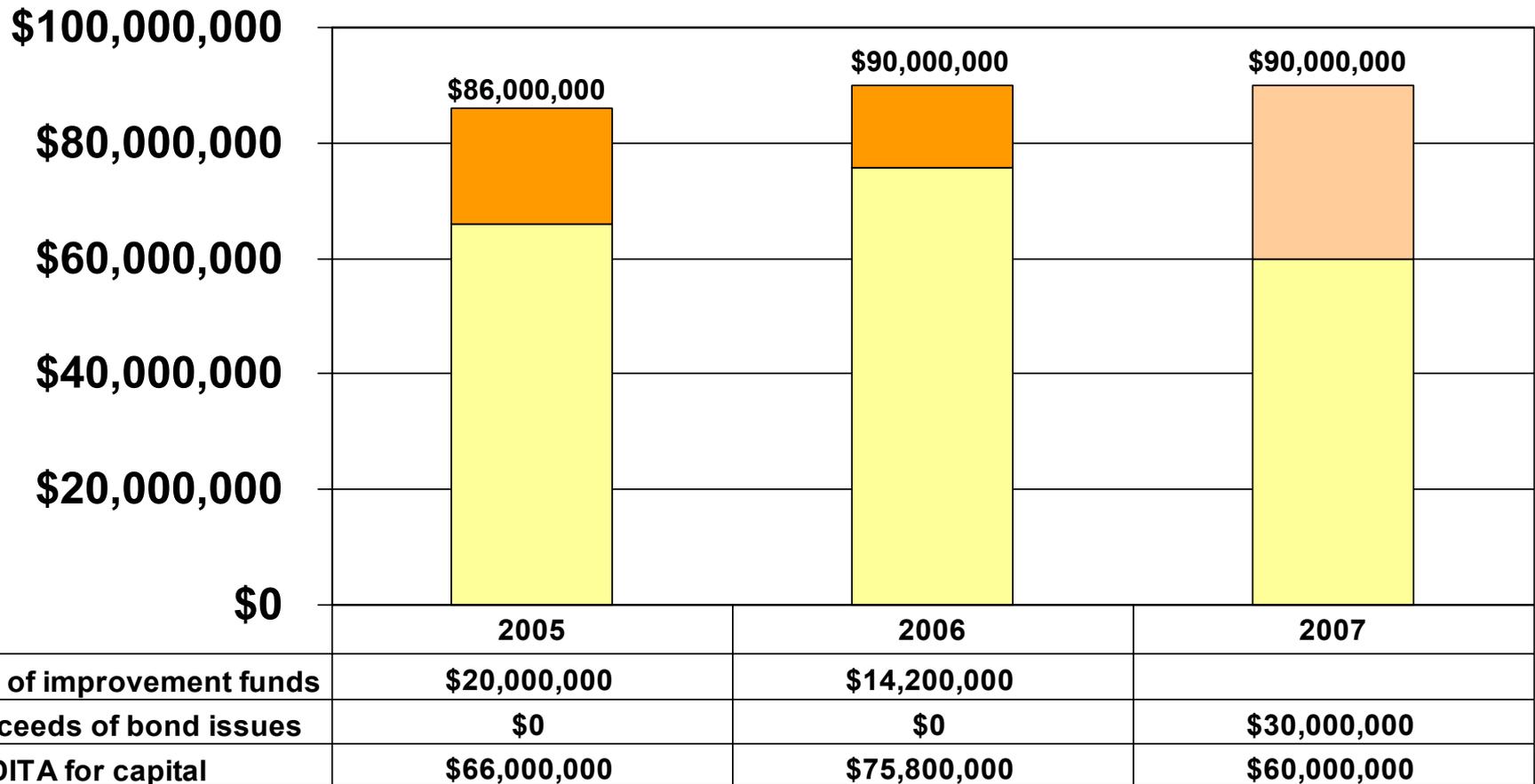
FY 2007 Operating Budget Assumptions

The Need for Capital Reserves

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

VI. Proposed FY 2007 Capital Budget

University of Iowa Hospitals and Clinics FY 2007 Preliminary Capital Expenditure Budget



* Assumes issuance of \$75 million of revenue bonds in FY 2007. \$30 million to be spent in FY 2007 and the remaining \$45 million in FY 2008.

FY 2007 Alignment of Strategic and Capital Plans

Innovative
Care

Innovative Care

- Growth in Clinical Service Priorities
 - Ambulatory Surgery Center (\$26.0 M)
 - Emergency Treatment Center (\$9.1 M)
 - Cardiology- Heart Clinic/ EP Lab/ Recovery Renovation (\$2.35 M)
 - Neurosciences- Neurosurgery Clinic Renovation (\$2.5 M)
 - Children's Hospital of Iowa- Pediatric Inpatient Unit, Pediatric Cath Lab (\$2.2 M)
 - Oncology- Cancer Center Construction (\$0.1 M)
 - Orthopedics- Sports Medicine Center (\$0.4 M)

Excellent
Service

Excellent Service

- Patient and Visitor Service Center Construction (\$3.2 M)

Exceptional
Outcomes

Exceptional Outcomes

- Clinical Information Systems (\$25.9 M)

Appendices:

A. Historical Trends

A1. Operating Cost per Adjusted Discharge	Page 32
A2. Salary & Wages per Adjusted Discharge	Page 33
A3. Aggregate Fringe Benefits as a Percent of Salary	Page 34
A4. Supply and Drug Cost per Adjusted Discharge	Page 35
A5. Operating Margin Comparison	Page 36
A6. Net Patient Revenue per Adjusted Admission	Page 37
A7. Aggregate Rate Increase History	Page 38
A8. Six Year Summary of Operating Indicators	Page 39
A9. Bond Rating Financial Ratio Comparison	Page 40

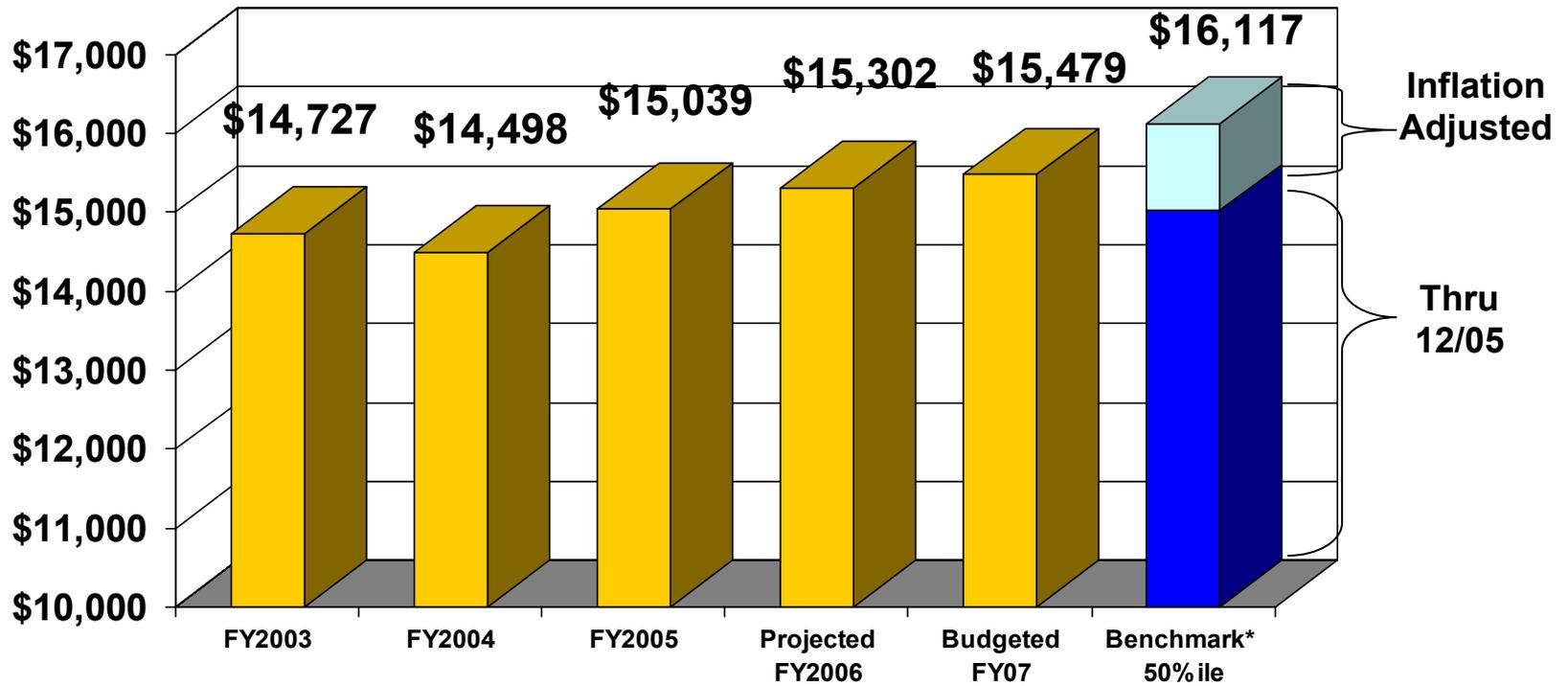
B. Market Share and Program Development

B1. Inpatient Market Share by Service Line	Page 41
B2. Recruitment and Retention of Clinicians	Page 42
B3. Quality Outcomes and Performance Improvement	Page 43
B4. Patient Safety Outcomes and Reporting	Page 44
B5. Information Technology	Page 45

C. Supplemental Schedules

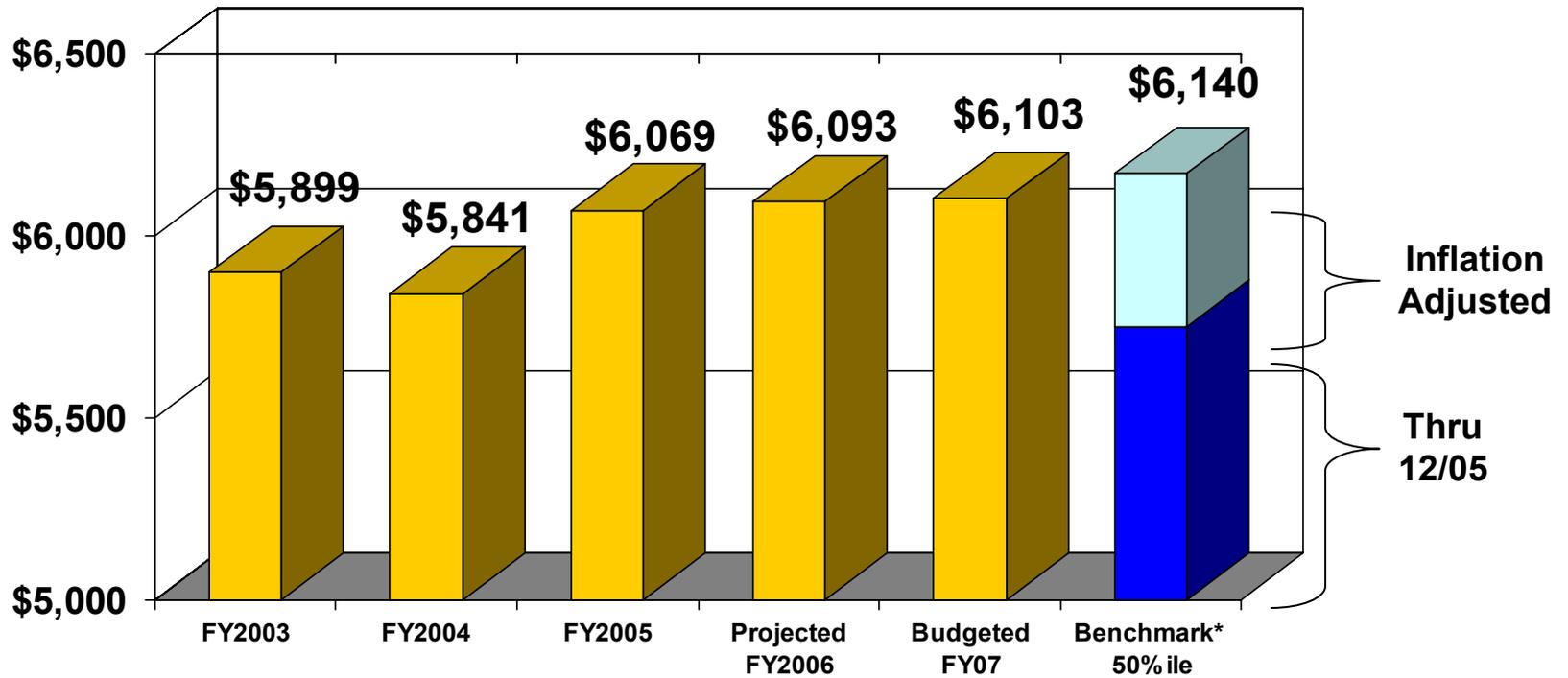
C1. Gross Charge and Reimbursement Percent by Primary Payor, YTD 2006	Page 46
C2. IowaCare and State Institutions Shortfall of Appropriation versus Costs	Page 47
C3. Combined Hospitals Sources and Uses FY 2007 Proposed Budget	Page 48
C4. FY 2007 Proposed Budget Cost Structure	Page 49
C5. Guidelines for Uncompensated Care Discounts	Page 50
C6. Other Operating Revenue	Page 51

Operating Cost per Adjusted Discharge (Excludes Depreciation, Interest, and Amortization)



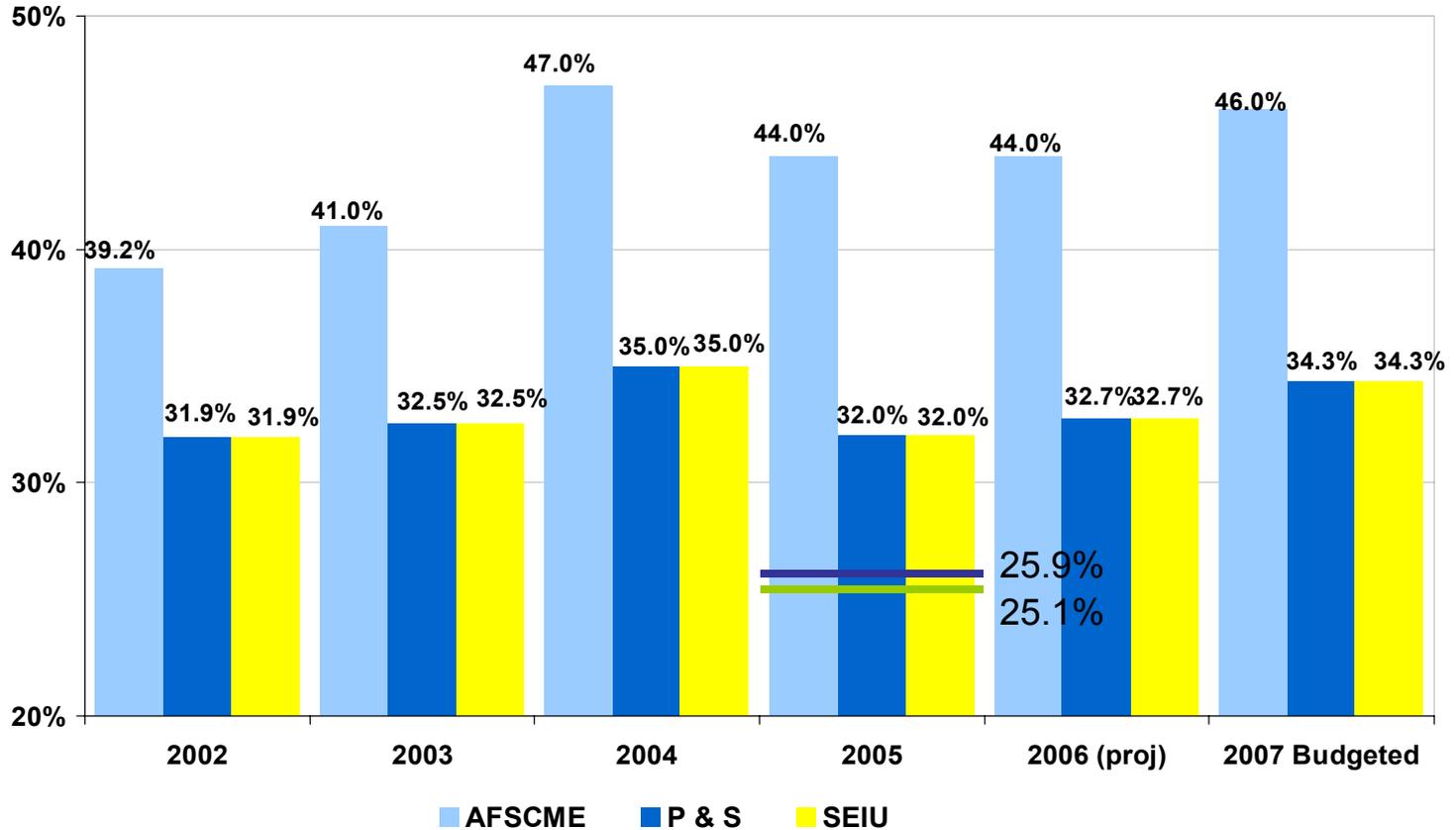
* Benchmark is the 50th percentile of the University Health System Consortium for the two quarters ended December 2005 of \$15,021 plus 2005 Midwest Medical Care CPI of 4.79% annually.

Salaries & Wages per Adjusted Discharge



* Benchmark is the 50th percentile of the University Health System Consortium for the two quarters ended December 2005 of \$5,750 plus 2005 Midwest Medical Care CPI of 4.79% annually.

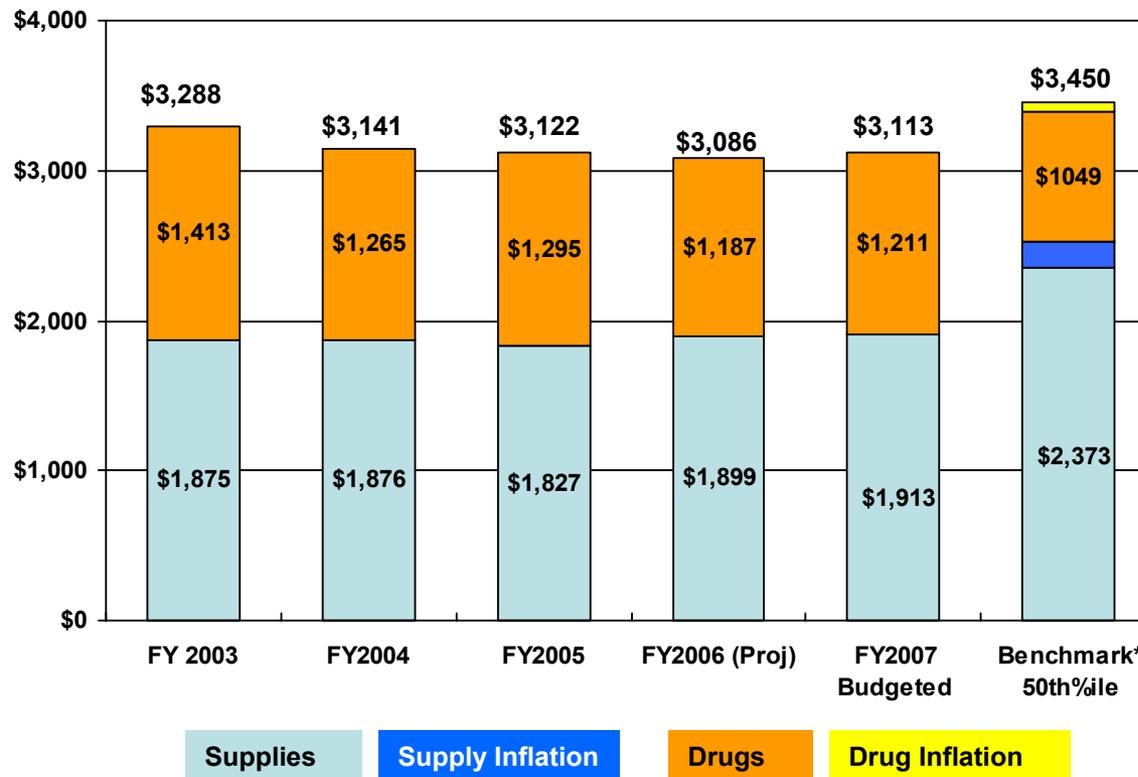
Aggregate Fringe Benefit Costs as a Percent of Salary Dollar



— Iowa Hospitals Data Bank, 2005 25.9%

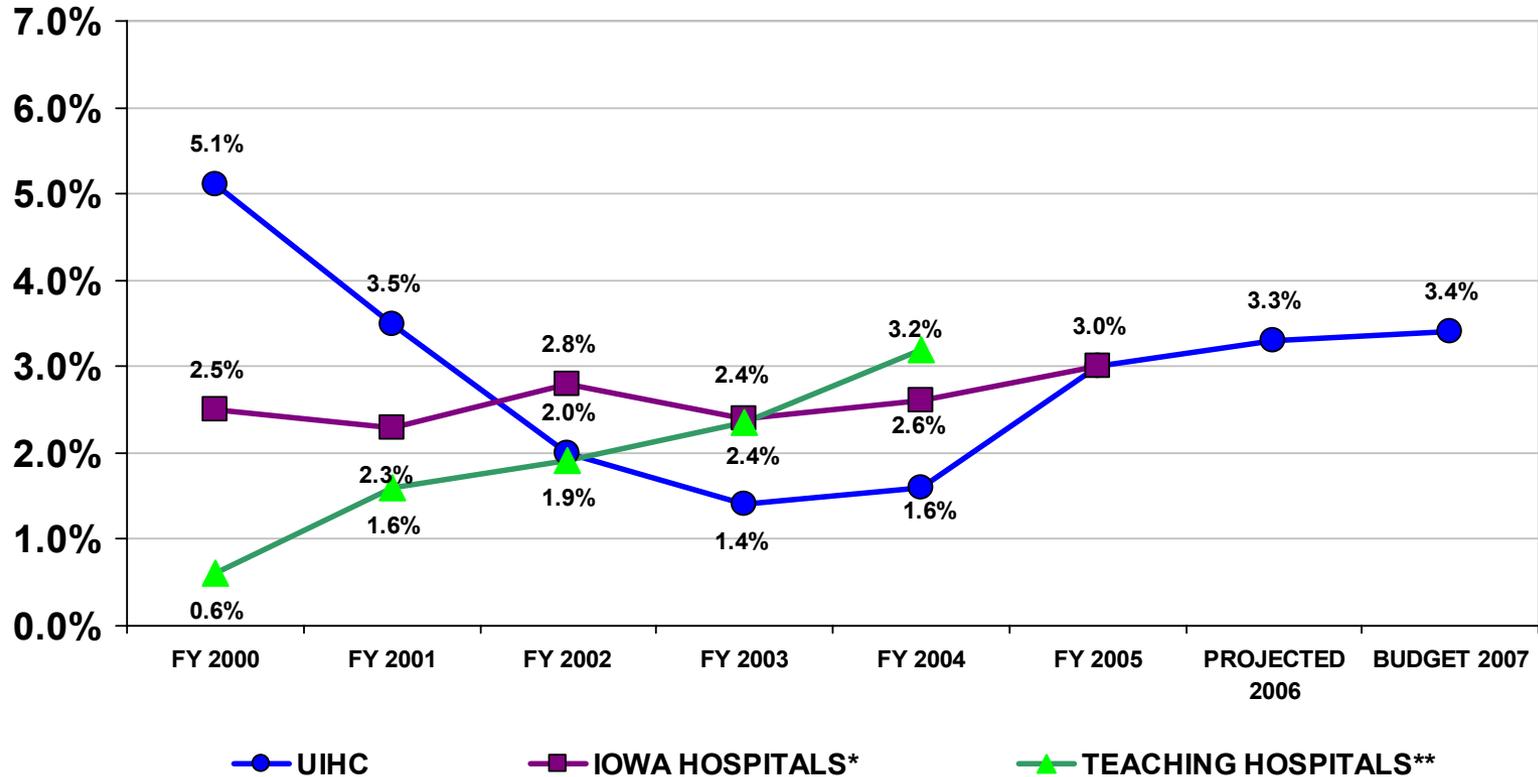
— Median for University HealthSystem Consortium (UHC) hospitals reporting to ACTION OI for the two quarters ending December 2005 25.1%

Supply and Drug Costs per Adjusted Discharge



* Benchmark is the 50th percentile of the University Health System Consortium for the two quarters ending Dec 2005 inflated by 2005 Midwest Medical Care CPI of 4.79% annually..

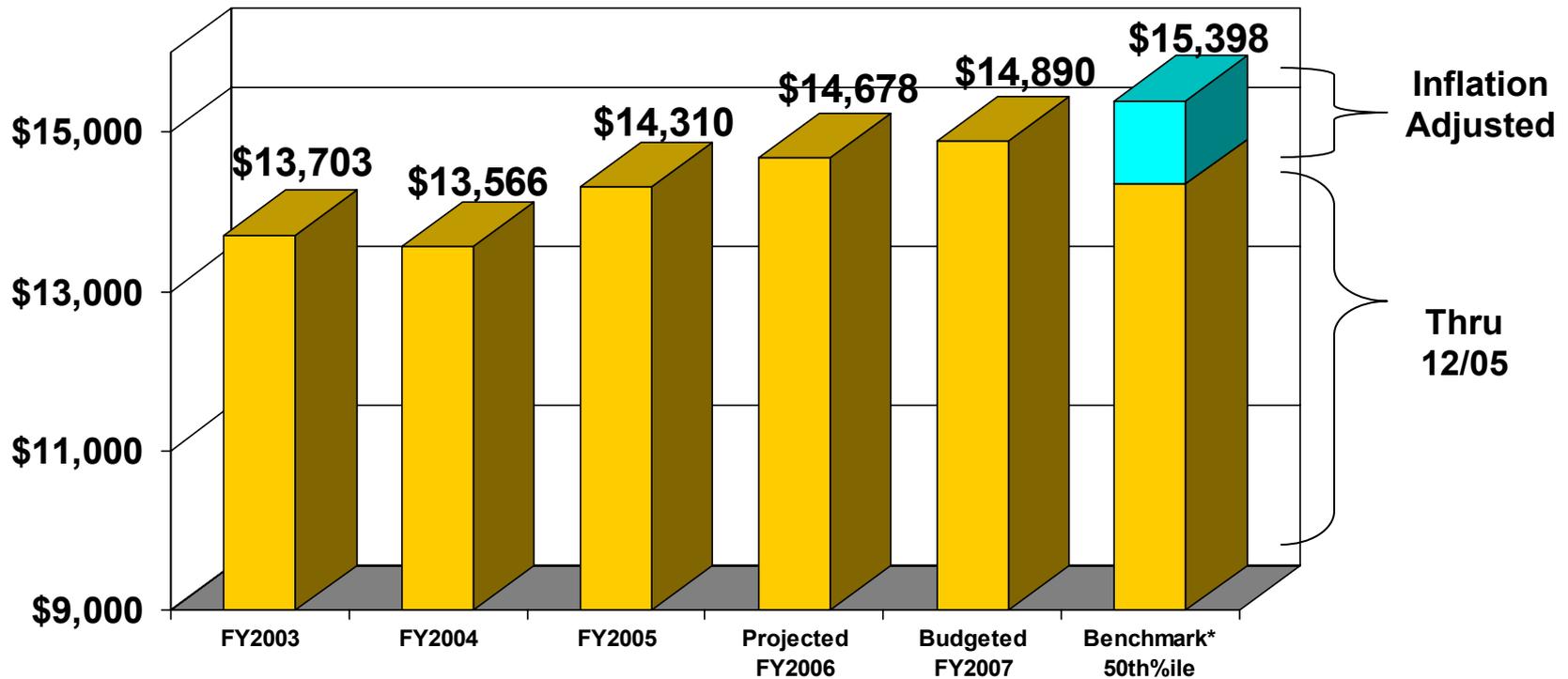
Operating Margin Comparisons



* Iowa Hospital Association DATABANK reports

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

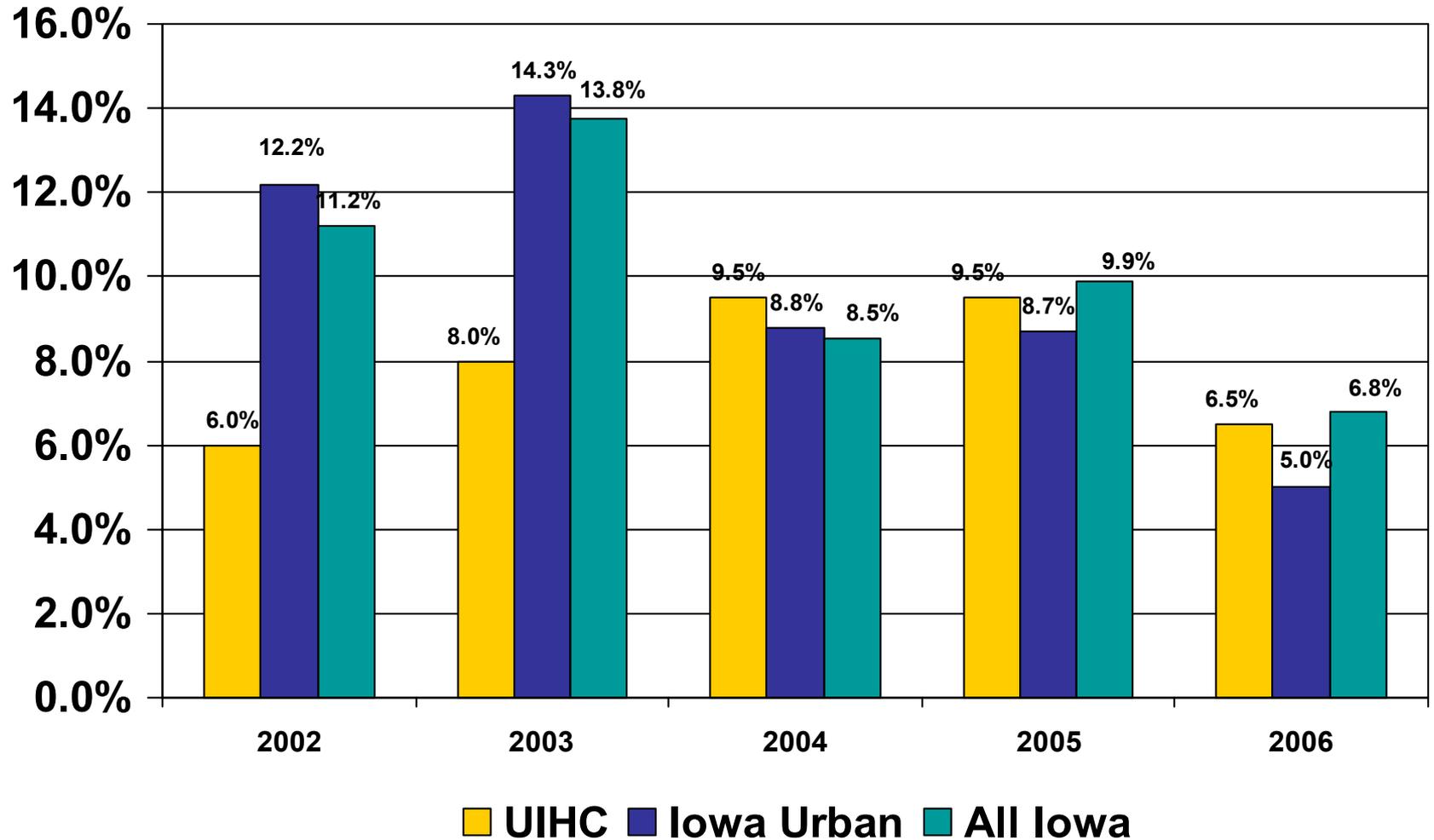
Net Patient Revenue** per Adjusted Admission



* Benchmark is the 50th percentile of the University Health System Consortium for the two quarters ended December 2005 of \$14,351 plus 2005 Midwest Medical Care CPI of 4.79% annually.

** Net paying patient revenue includes Chapter 255 state indigent patient care program appropriation or Iowa Care Act receipts.

Aggregate Rate Increase History



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

Six Year Summary Operating Indicators

	FY2002	FY2003	FY2004	FY2005	Projected FY2006	Budgeted FY2007
Acute Admissions*	23,388	24,104	25,384	25,063	25,253	26,011
Length of Stay*	7.59	7.24	6.94	6.99	6.68	6.40
Surgical Cases	19,814	20,269	20,644	20,820	20,880	21,402
Clinic Visits	622,584	631,443	669,045	668,456	658,015	671,697
Market Share	6.2%	6.7%	7.0%	6.9%	7.0%	7.0%
Net Patient Revenue**	\$499.0M	\$546.0M	\$590.0M	\$624.3M	\$662.4M	\$702.2M
EBDITA	\$51.3M	\$50.0M	\$51.5M	\$71.9M	\$75.8M	\$81.0M
EBDITA Margin	9%	8.3%	8%	10.6%	10.6%	10.7%
Operating Income	\$11.4M	\$8.5M	\$10.2M	\$20.5M	\$23.4M	\$25.7M
Operating Margin	2.0%	1.4%	1.6%	3.0%	3.3%	3.4%
Case Mix Index***						
All Acute Inpatients	1.5866	1.6272	1.5950	1.6384	1.7011	1.7011
Medicare Inpatients	1.7602	1.8182	1.7822	1.8734	1.9021	1.9021

* All years presented exclude newborn nursery utilization.

** Net Patient Revenue includes (FY02-FY05) State Indigent Care Appropriation and (FY06-FY07) Iowa Care receipts.

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

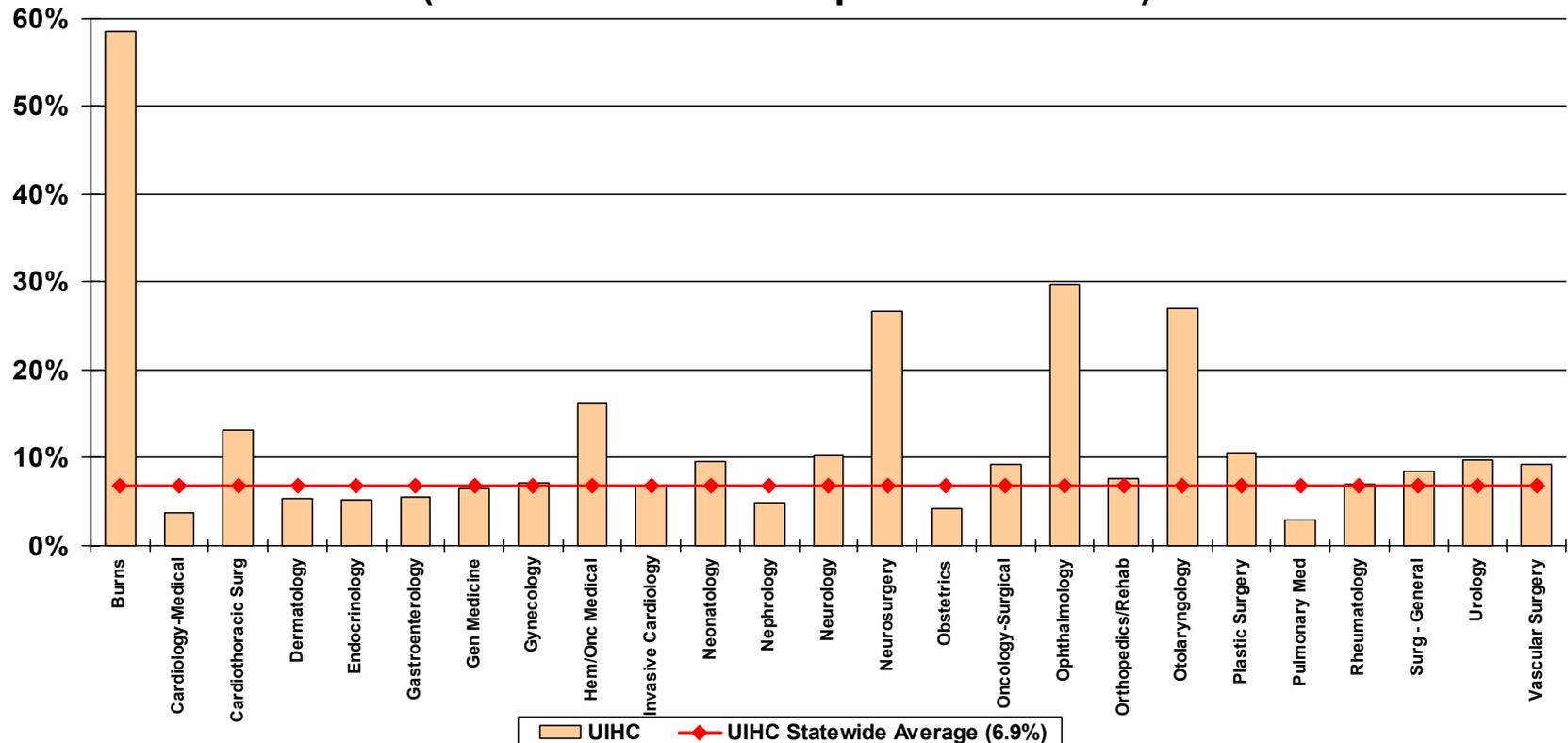
Aa Bond Rating Key Financial Ratio Comparison

	Audited UIHC FY 2002	Audited UIHC FY 2003	Audited UIHC FY 2004	Audited UIHC FY 2005	UIHC FY 06 Projected	UIHC FY 07 Budgeted**	Median Moody's Aa Rating*
Days Cash on Hand	239.4	221.1	214.4	218.4	215.1	252.0	235.0
EBDITA Margin	9.0%	8.3%	8.0%	10.6%	10.6%	10.7%	11.2%
Operating Margin	2.0%	1.4%	1.6%	3.0%	3.3%	3.4%	4.1%
Debt to Capitalization Percent	1.6%	4.3%	4.0%	3.7%	3.5%	10.9%	32.0%
Days in Accounts Receivable	67.3	101.3	71.8	57.4	49.0	49.0	53.5
Average Age of Plant	8.9	9.0	9.7	8.2	8.5	8.5	9.0

* Data is compiled from Moody's Investors Service publication "Not for Profit Healthcare: 2005 Outlook and Medians."

** Assumes issuance of \$75.0 million of debt in FY 2007.

Inpatient Market Share by Service Line⁽¹⁾, FY 2005 (Does not include outpatient services)



UIHC is the statewide leader in burns, hematology/oncology-medical, neurology, neurosurgery, ophthalmology, otolaryngology

(1) Excludes bone marrow transplant, dental/oral surgery, heart transplant, kidney/pancreas transplant, and lung transplant

Source: Iowa Hospital Association; St. Luke's-Cedar Rapids didn't report data for March, 2005. MDC's 19 (Mental Health), 20 (Substance Abuse) and 25 (HIV)

Innovative
Care

Excellent
Service

Recruitment and Retention of Clinicians

- Recruitment
 - Director of UI Heart and Vascular Center
 - Department Head of Neurology
 - Department Head of Dermatology
 - Division Chief of Gastroenterology
 - Division Chief of Oncology
 - Division Chief of Transplantation
- Continuing to build complement of specialists
 - Neurosurgery
 - Surgical Oncology
 - Orthopedics
 - Cardiology and Cardiac Surgery

Innovative
Care

Exceptional
Outcomes

Quality Outcomes and Performance Improvement

- Voluntarily submit data to Center for Medicare & Medicaid Services on heart attacks, heart failure, pneumonia, surgical infection prevention, and patient satisfaction.
- Performance Improvement Teams for FY 2006-2007 High Priority Projects:
 - Acute Myocardial Infarction and Heart Failure
 - Community Acquired Pneumonia
 - Surgical Infections and Complications
 - Central Line Infections and Ventilator Associated Pneumonia
 - Medication Reconciliation
 - Patient Falls
 - Rapid Response Teams
 - Staff Immunization
- Provide standardized educational opportunities for all staff in Continuous Process Improvement (Lean Sigma) and Public Reporting/Hospital Scorecards.

Innovative
Care

Exceptional
Outcomes

Patient Safety Outcomes and Reporting

- Develop a safety culture at UIHC to improve patient care and staff satisfaction.
- Formalize the Hospital Safety Program and appoint a Hospital Safety Officer.
- Choose CPOE Vendor and develop plan for implementation.
- Complete installation of bar coding technology and Electronic Medication Administration Record.
- Complete installation of PICIS ICU documentation system.
- Continue the 100,000 Lives Campaign objectives.

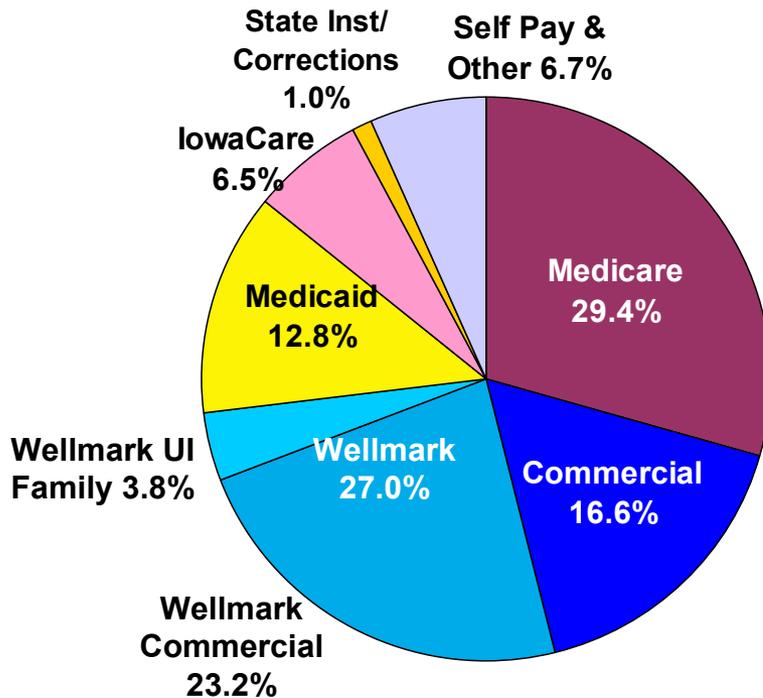




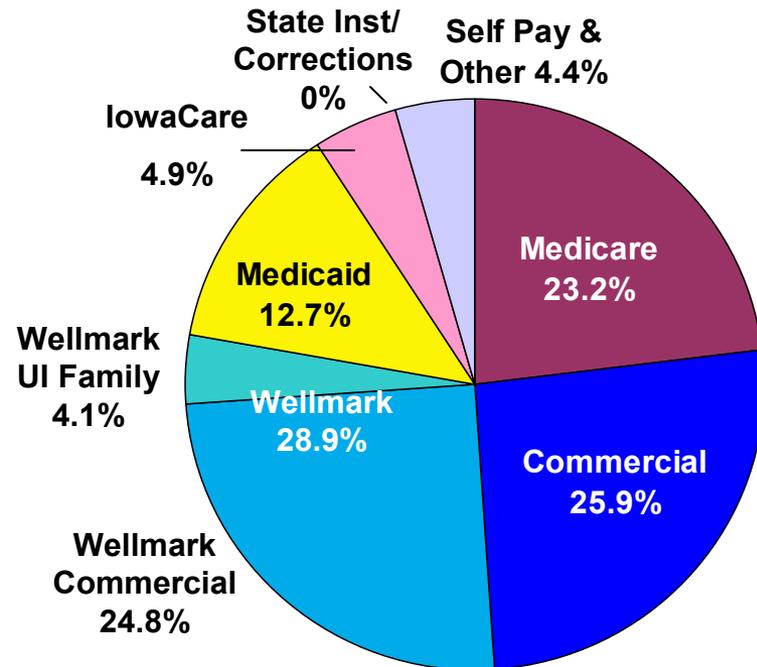
Information Technology

- Majority of Strategic Plan initiatives over the next 5 years require significantly enhanced clinical and financial systems.
 - Collaborative and Multidisciplinary Care.
 - Scheduling and Coordination of Services.
 - Facilitate electronic communication with other providers.
- Electronic Medication Administration System with bar coding technology.
- Current clinical system is home-grown and would require major upgrades to have less than average capabilities.
 - Third party evaluation and recommendation to acquire commercial solution.
 - Upgrading home-grown system cost prohibitive.
 - RFP process underway.
- Work process redesign required.
- Significant investment of clinician time and effort.
- Migration to PeopleSoft Supply Chain Management.

Gross Patient Charges By Primary Payor



Reimbursement By Primary Payor



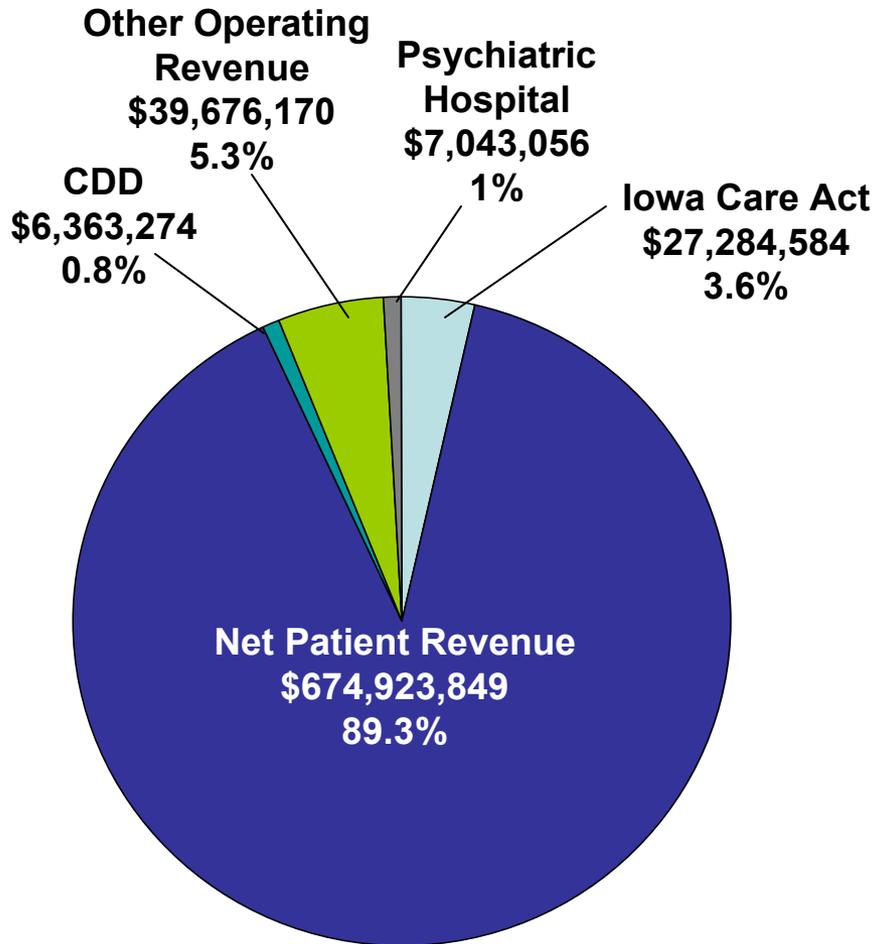
Year to Date February, 2006
Includes Inpatient and Outpatient Services

IowaCare and State Corrections/ Institutions

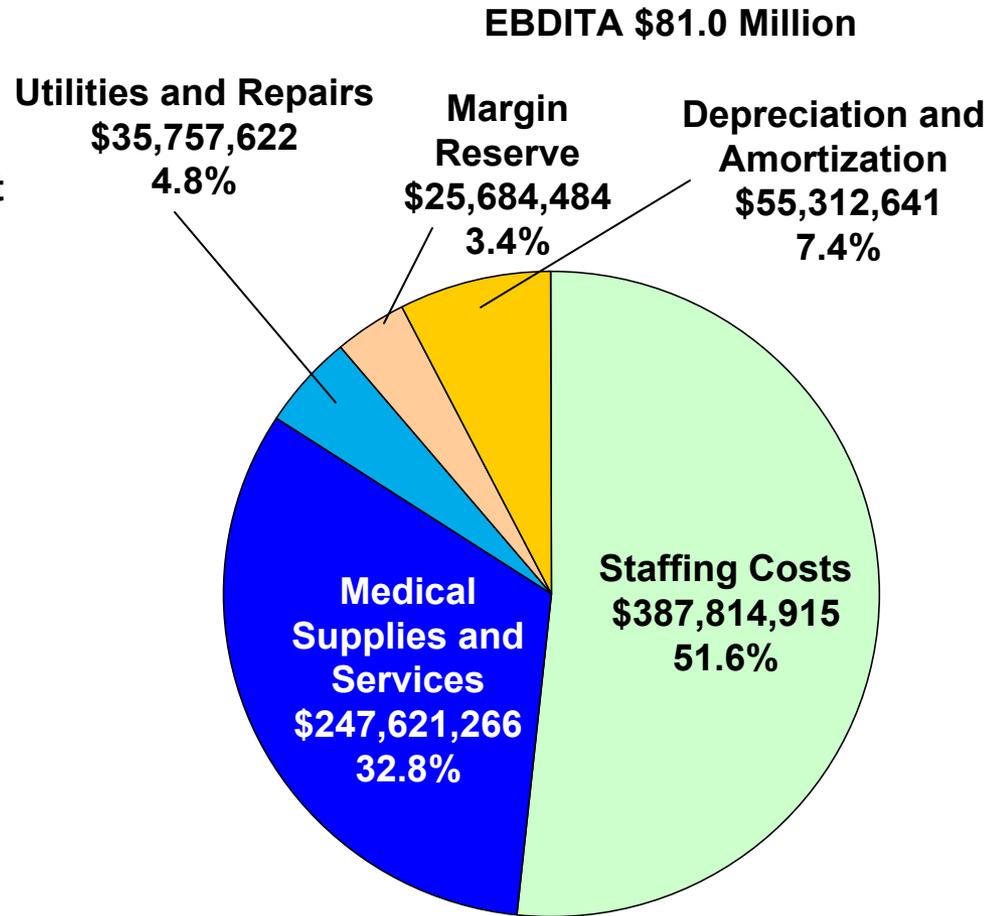
Shortfall of Appropriations versus Cost

	FY 2006	FY 2007
	<u>Projected</u>	<u>Budget</u>
Appropriation		
• IowaCare Appropriation	\$ 27.3	\$ 27.3
• Payment for State Corrections/ Institutions	<u>0.0</u>	<u>0.0</u>
	27.3	27.3
Cost		
• IowaCare Program Cost	(\$38.3 M)	(\$ 39.5 M)
• State Corrections/ Institutions Cost	<u>(5.5)</u>	<u>(6.2)</u>
Shortfall Appropriation versus Costs	(\$16.5 M)	(\$18.4 M)

Combined Hospitals Sources and Uses FY07 Proposed Budget



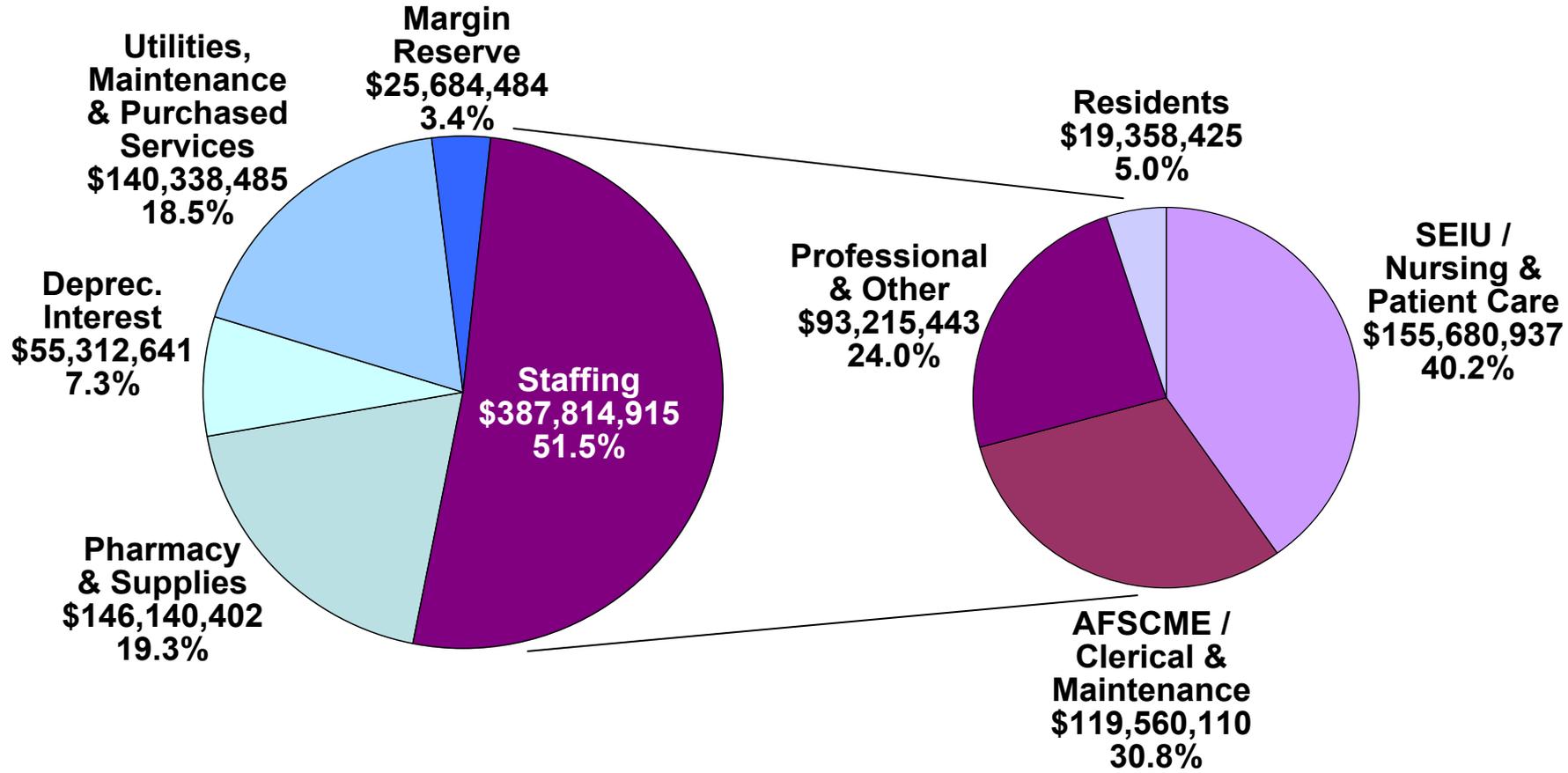
FY07 TOTAL = \$755,290,928



FY07 TOTAL = \$755,290,928

UIHC Cost Structure

FY 2007 Proposed Budget



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

UI Health Care Guidelines for Uncompensated Care Discount Percentages

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

Other Operating Revenue FY 2007 Budget

Gifts & Grants	\$ 10.6M
Food Sales	8.0M
External Drug Sales	0.7M
Other External Sales	2.7M
Purchased Services – Related Party	17.7M
Total	\$39.7 M