

**BOARD MEMORANDUM**

**TO:** Board of Regents, State of Iowa  
**FROM:** Pamela Elliott Cain  
**DATE:** June 1, 2005 *ASN*  
**SUBJ:** University of Iowa Hospitals and Clinics Trustee Report

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**Recommended Actions:**

1. Discuss UIHC issues.
  2. Consider a FY 2006 hospital rate increase of 9.5%.
  3. Consider changes to the UIHC bylaws.
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**Executive Summary:**

Strategic Plan Update	Attachment A identifies the UIHC strategic planning process and outlines the following sections: <ul style="list-style-type: none"><li>• “Where are we?” – environmental assessment summary</li><li>• “Where do we want to be?” – organizational direction</li><li>• “How will we get there?”– strategy development</li></ul> Additional strategic plan update information in Attachment E – Appendix, will not be presented.
FY 2006 Operating Budget	Attachment B outlines: <ul style="list-style-type: none"><li>• Brief review of key operating indicators for FY 2005.</li><li>• Budget assumptions for FY 2006 that include the Wellmark contract substantially similar to the current budget year.</li><li>• A gross charge increase for FY 2006 of 9.5%.</li></ul>
UIHC FY 2006 Capital Plan Summary	Attachment C includes the UIHC capital plan information which has been incorporated into the Property and Facilities Committee item 4. The requested Board action for the purchase of infusion devices on page 13 of the UIHC materials is included in Board agenda item 1e, University of Iowa Equipment Purchase.
Bylaw Changes	The proposed amendment modifies the duties of the Emergency Treatment Center Advisory Subcommittee.

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

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

### AGENDA

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

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

## Meeting Objectives

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

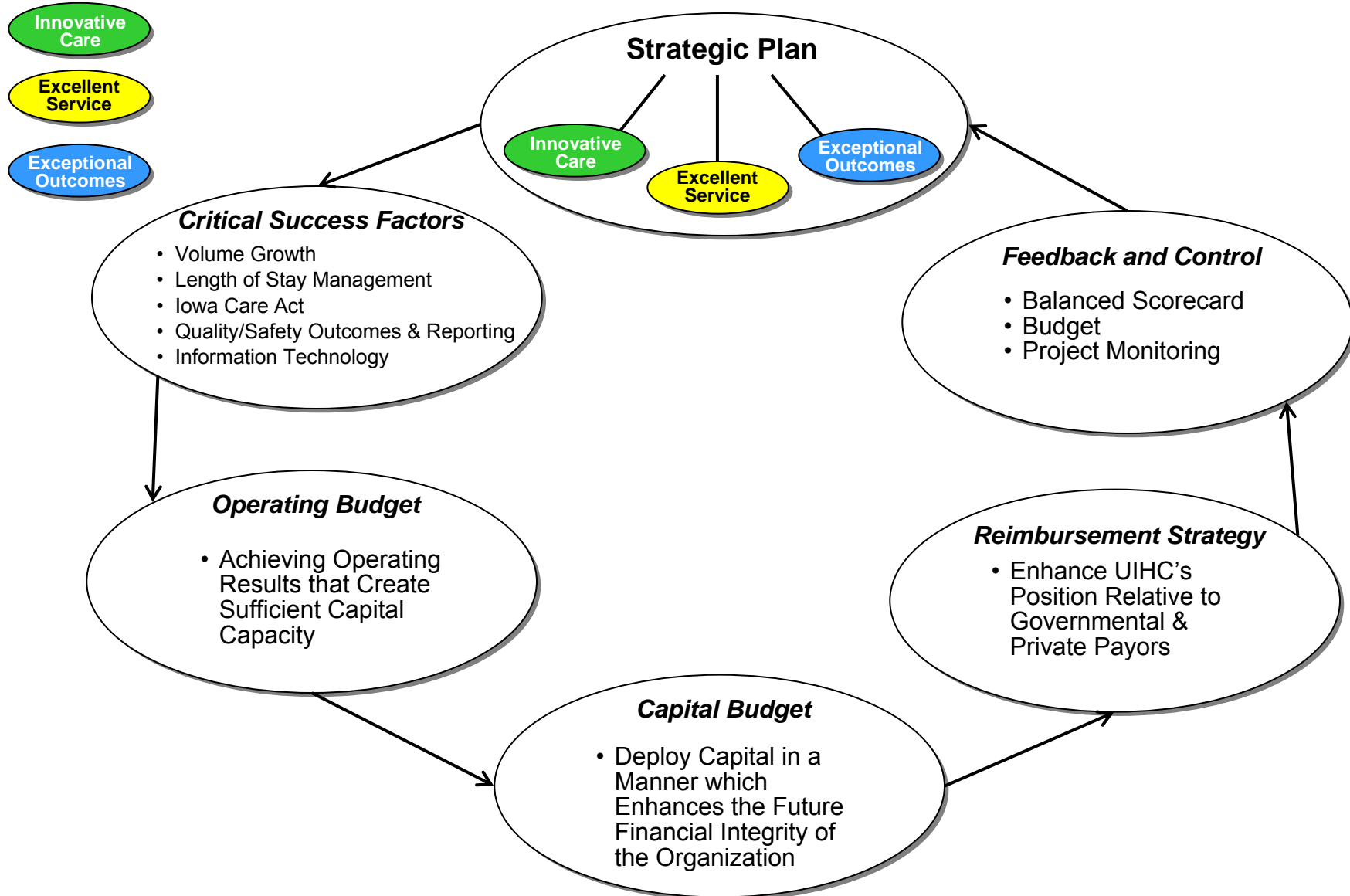
# **FY 2006 Budget Review**

**University of Iowa Hospitals and Clinics**

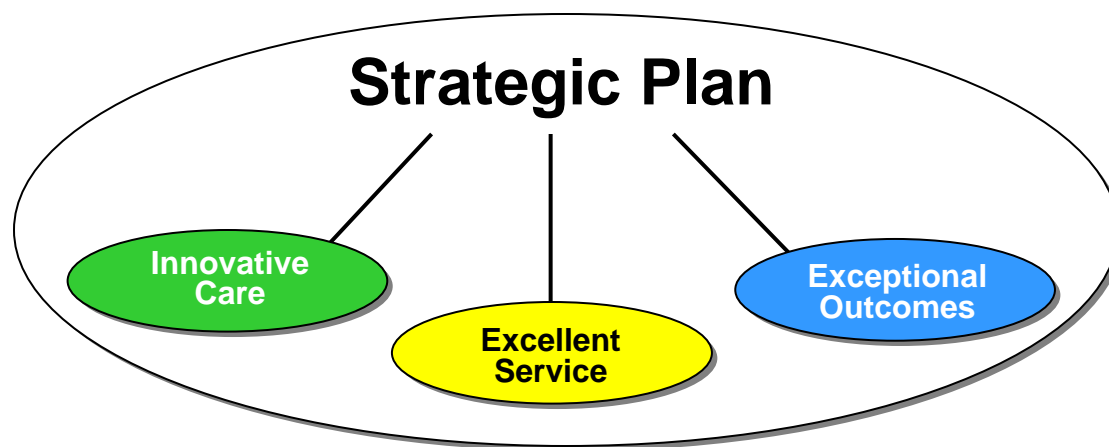
**Board of Regents, State of Iowa  
as the Board of Trustees**

June 14, 2005

# UIHC Strategic Plan & FY 2006 Budget



## Summary of Strategic Planning Process



## Summary of Strategic Planning Process

- Data Gathering
- External/Community Interviews
  - Board of Regents
  - Community Leaders
  - Legislators
  - Friends of UIHC
- Internal Interviews/Focus Groups
  - Individual leadership interviews
  - Management/Staff/Faculty focus groups
  - On-line survey
  - Open Forums

## Strategic Planning Process (con't)

- External Assessment Summary

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

- Internal Assessment Summary

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

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



## Strategic Planning Process (con't)

- Mission and Vision Statement
- Strategy Development Assumptions
- Strategy Development

## 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

# FY 2006 Critical Success Factors

- Volume Growth-  
- Length of Stay Management-   
- Iowa Care Act-  
- Quality/ Safety Outcomes and Reporting-  
- Information Technology-   

## FY 2006 Critical Success Factors

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### Volume Growth

Development of Select Clinical Programs

+ Marketing and Business Development

+ Capacity Optimization

+ Recruitment and Retention of Clinicians

## FY 2006 Critical Success Factors – Volume Growth



## Development of Clinical Programs

### Primary Strategic Focus

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

- **Continued Clinical Development**

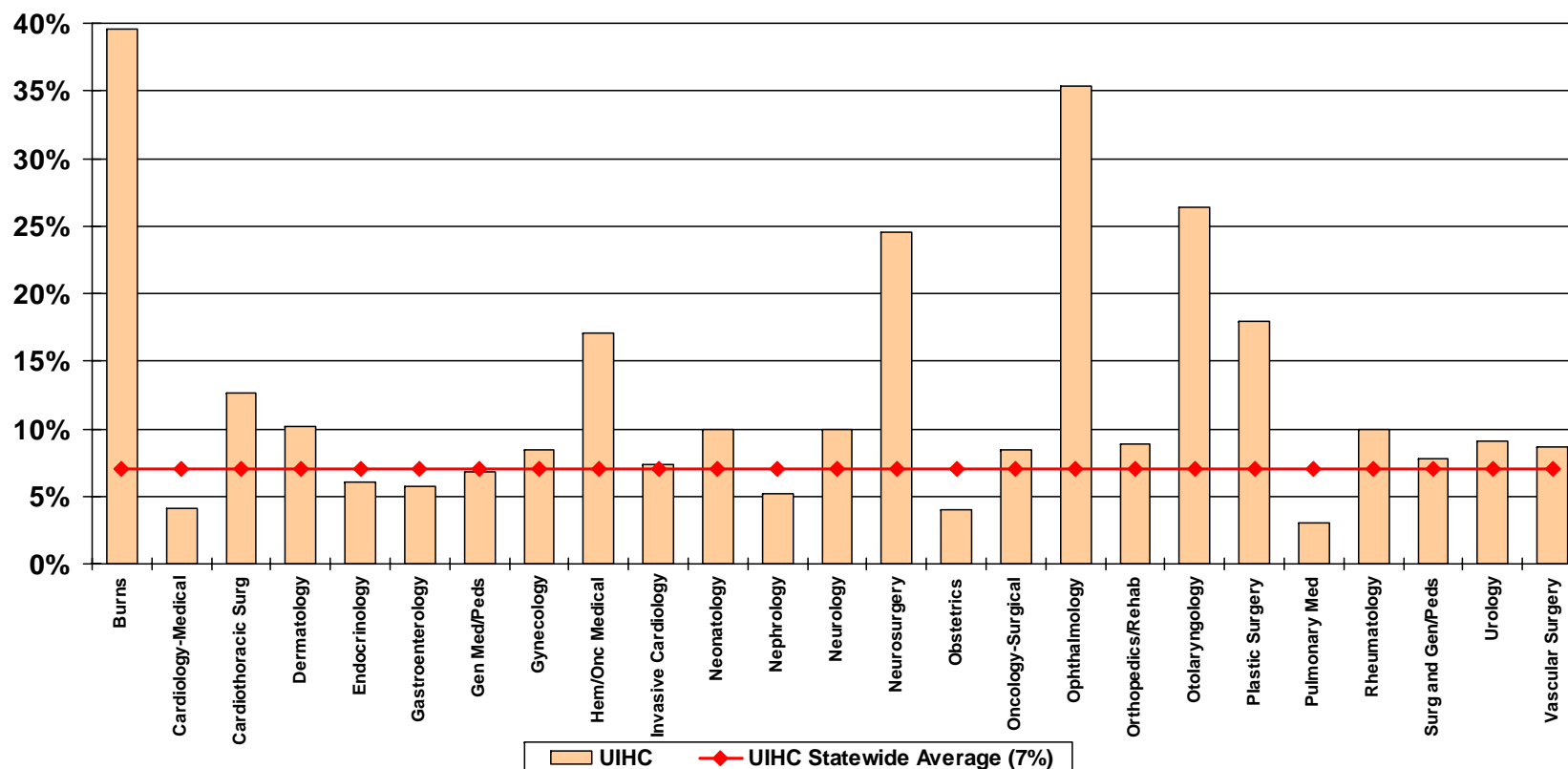
- Burn Unit
- Geriatrics
- Orthopedics/ Sports Medicine
- Otolaryngology
- Trauma Program
- Transplantation
- Urology

- **Maintenance**

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

# FY 2006 Critical Success Factors – Volume Growth

## Inpatient Market Share by Product Line<sup>(1)</sup>, FY 2004



**UIHC is the statewide leader in burns, dermatology, hematology/oncology-medical, neonatology, neurology, neurosurgery, ophthalmology, otolaryngology, plastic surgery, and rheumatology**

(1) Excludes bone marrow transplant, dental/oral surgery, heart transplant, kidney/pancreas transplant, and lung transplant  
Source data provided by the UI Health Care Joint Office of Marketing and Communications using Iowa Hospital Association data

## FY 2006 Critical Success Factors – Volume Growth

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Innovative  
Care

Excellent  
Service

### Marketing and Business Development

- Continuation and expansion of “the Academic Difference” campaign theme.
- Development of collateral materials to support the primary strategic program priorities and continued development of clinical services.
- Initiation of a “Business Development Office”
  - Assessing market opportunities for expanded service lines based on consumer demand
  - Focus on the development and nurturing of referring physician relationships.
  - Direct meetings with employers and other important constituencies.

## FY 2006 Critical Success Factors – Volume Growth

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## Capacity Optimization

- Length of Stay Management
- Office of Operations Improvement
  - Lean Six Sigma Concepts
  - Piloted in CT service in partnership with Iowa Business Council
- Collaborative and Multi-Disciplinary Care
- Operating Room/ Surgical Suite Utilization
- Bed Placement Center
- Scheduling and “Patient Online”



## FY 2006 Critical Success Factors – Volume Growth

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Innovative  
Care

Excellent  
Service

### Recruitment and Retention of Clinicians

- Development of cardiology faculty under the leadership of Mark Anderson, MD (Division Chair) and Paul Rothman MD (Head Internal Medicine)
- Recruitment
  - Head of Surgery and Director of Transplant Program
  - Head of Anesthesiology
  - Head of Neurology
  - Head of Ophthalmology
- Build complement of pediatric neurosurgeons

## FY 2006 Critical Success Factors – Volume Growth Summary

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### Volume Growth

Development of Select Clinical Programs

- + Marketing and Business Development
- + Capacity Optimization
- + Recruitment and Retention of Clinicians

= Volume Growth Targets

- Inpatient admissions 2.5% increase
- Outpatient visits 2.0% increase

## FY 2006 Critical Success Factors

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Innovative  
Care

Exceptional  
Outcomes

### Length of Stay Management

Appropriate Admissions

- + Bed Placement
- + Post-Acute Transfer
- + Time of Discharge
- + Expedited Care Delivery
- + Hospitalists
- + Medical Directorships
- + Bed Supply and Demand
- + Discharge Readiness

= Decrease in average length of stay from 7.1 to 6.5 days

- Results in reduction of 15,762 patient days, \$28.9 million reduction in charges, \$3.5 million reduction in net revenue, and \$7.3 million in expense savings for net benefit of \$3.8 million.

## FY 2006 Critical Success Factors

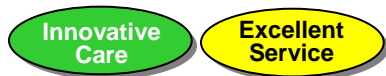
Innovative  
Care

Excellent  
Service

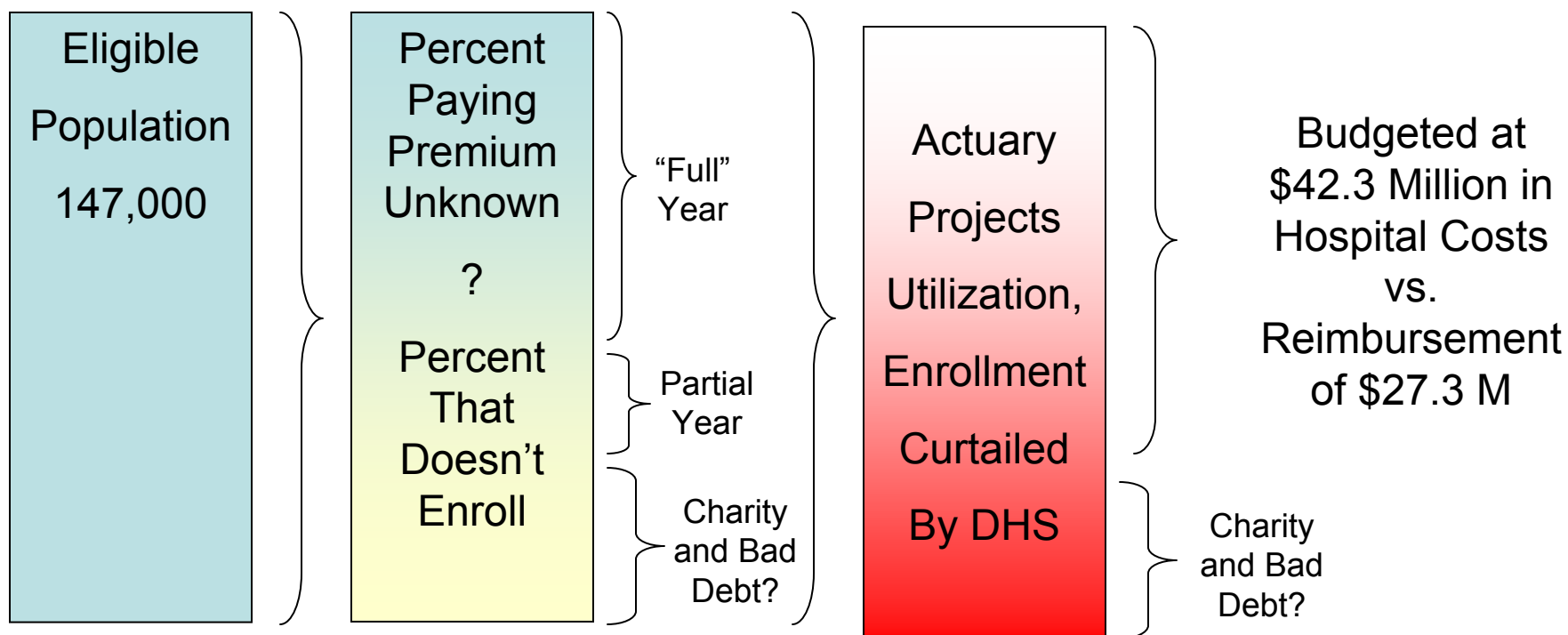
### Iowa Care Act Transition from State Appropriation

- Total dollars available for newly expanded population equivalent to FY 2005 Indigent Care Appropriation of \$27.3 million.
- Eligible population includes individuals age 19-64 with incomes below 200% of the Federal Poverty Limit- up to 147,000 Iowans.
- Service providers limited to UIHC, Broadlawns and the State's mental health institutions.
- Difficult to project number of patients that will seek care due to the addition of a premium requirement of up to 5% of beneficiaries annual income. Additionally, DHS has yet to define benefit package.
- Budget assumes that approximately the same number of patients that sought care under the State Indigent Care Appropriation will seek care under the Iowa Care Act. Enrollment or service coverage will be adjusted by DHS when funding is projected to be exhausted.
- There is currently no funding source for the other state institution patients including the department of corrections.
- Services available will not be as comprehensive as previously provided under the Indigent Care Program- does not include outpatient pharmaceuticals.

# FY 2006 Critical Success Factors



## Iowa Care Act- Multiple Unknown Variables Make Projecting Impact on UIHC Challenging



## FY 2006 Critical Success Factors

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## Quality Outcomes and Reporting

- Voluntarily submitted data to Center for Medicare & Medicaid Services on heart attacks, heart failure & pneumonia. Additional categories to be added.
- Performance Improvement Teams for I.H.I. 100,000 Lives Campaign
  - Deploying Rapid Response
  - Prevention of Central Line Bloodstream Infection
  - Improved Care for Acute Myocardial Infarction
  - Prevention of Adverse Drug Events
  - Prevention of Ventilator Associated Pneumonia
  - Prevention of Surgical Site Infections
- Provide standardized educational opportunities in Continuous Process Improvement of Lean Six Sigma
- Foster “storytelling” where the impact on the patient’s family and staff is discussed

## FY 2006 Critical Success Factors

Innovative  
Care

Exceptional  
Outcomes

# Patient Safety Outcomes and Reporting

- Safety Related Information Systems
  - Bar Code Scanning for Blood Transfusion
    - First electronic system to track blood products acquisition, storage and use
    - Pioneering project will lead to use in additional areas
    - Use wireless mobile devices, bar code technology and a new online data-capture tool to –
      - Prevent patient identification errors that occur in the blood transfusion process –
        - at the time blood samples are collected
        - when the blood bank evaluates blood samples and dispenses the blood products
        - at the time the blood products are administered
- Medication Administration
- Intensive Care
- Operating Rooms



## FY 2006 Critical Success Factors

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## 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
- 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
  - RFP process underway
- Work process redesign required.
- Significant investment of clinician time and effort.
- Migration to PeopleSoft General Ledger and Inventory Control.



# FY 2006 Operating Budget

## FY 2006 Operating Budget Assumptions

### Revenues

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

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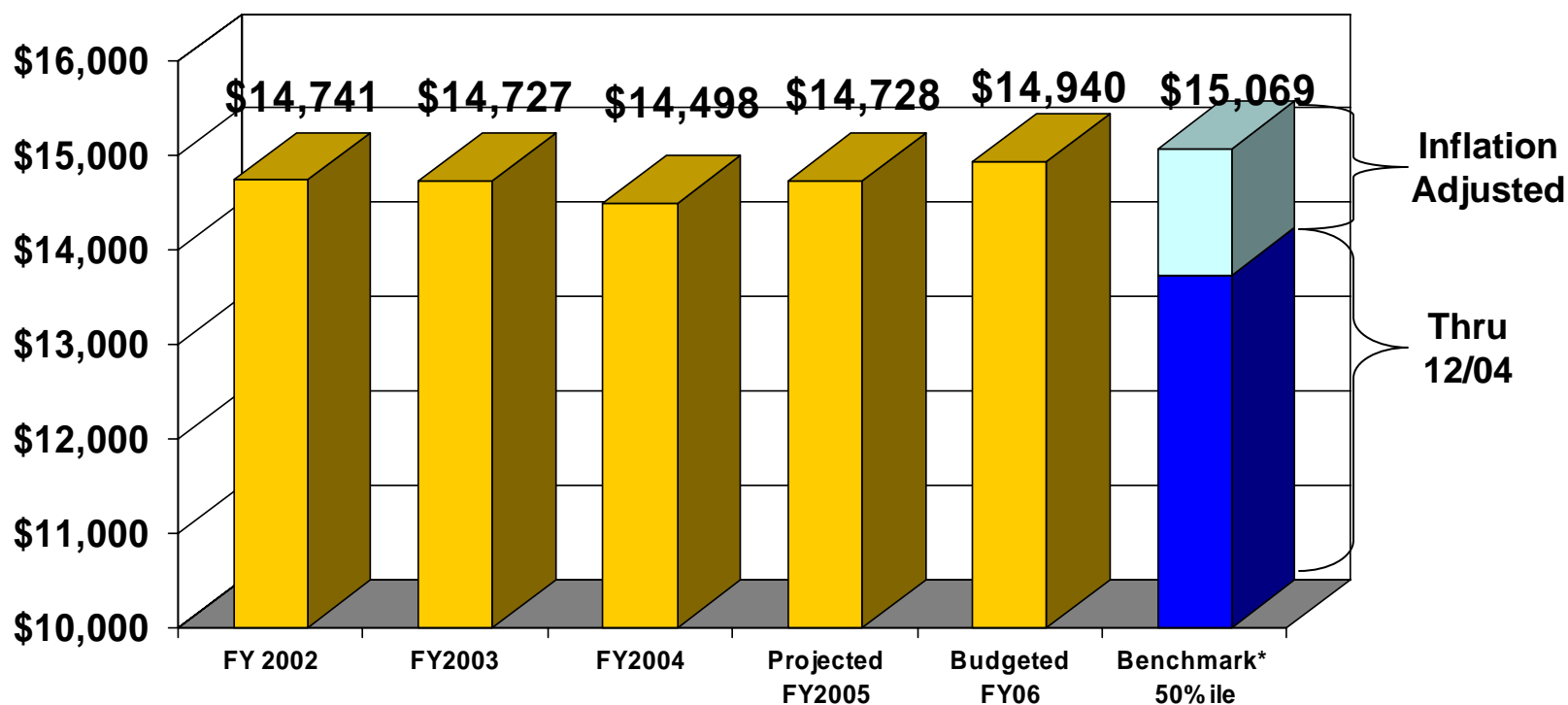
## FY 2006 Operating Budget Assumptions

### Operating Expenses/Efficiency

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

# Operating Cost per Unit of Service

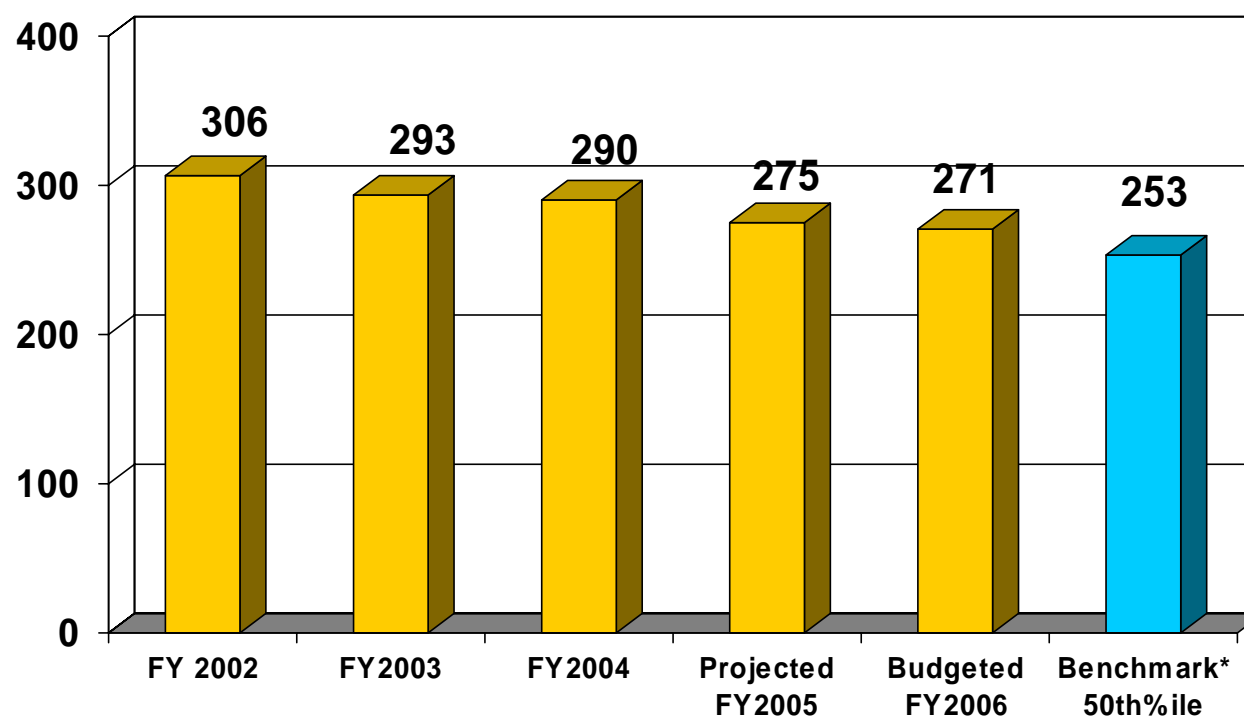
## Cost per Adjusted Discharge



\* Benchmark is the 50<sup>th</sup> percentile of the University Health System Consortium for the two quarters ended December 2004 of \$13,724 plus 2004 Midwest Medical Care CPI of 6.4% annually.

# Operating Costs per Unit of Service

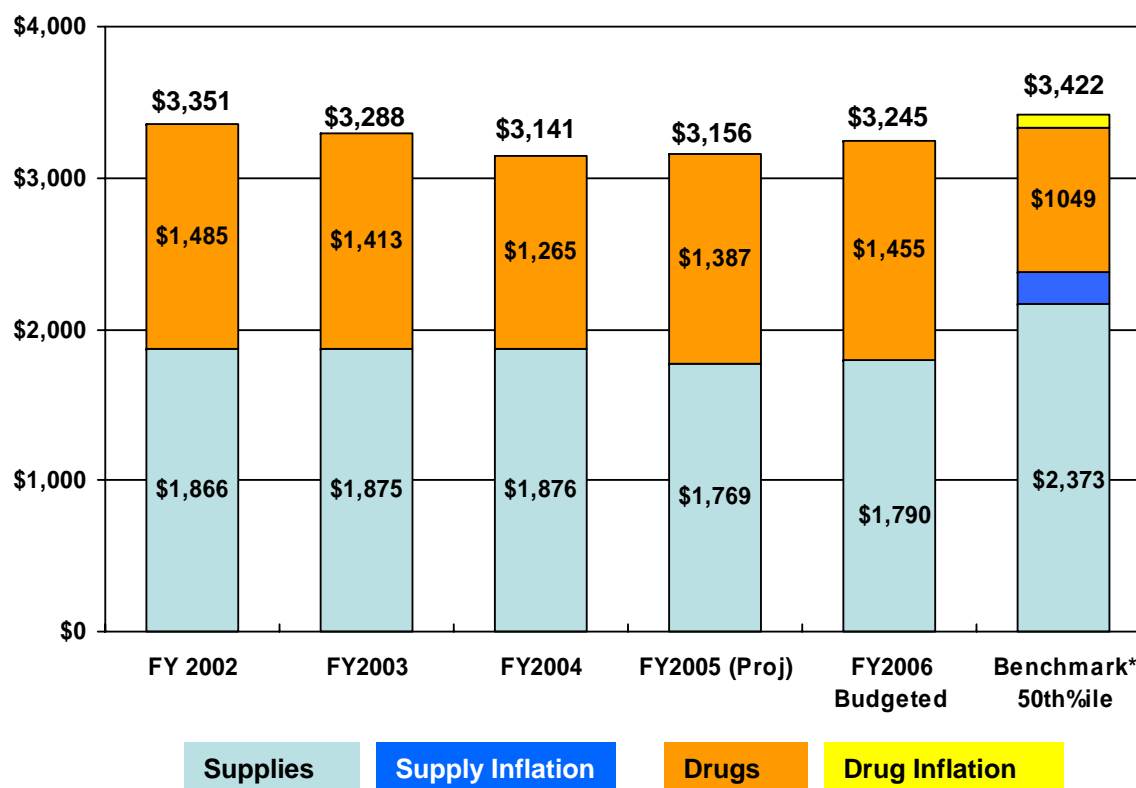
## Hours Paid per Adjusted Discharge



\* Benchmark is the 50<sup>th</sup> percentile of the University Health System Consortium for the two quarters ending December 2004.

# Operating Costs per Unit of Service

## Supply Cost per Adjusted Discharge

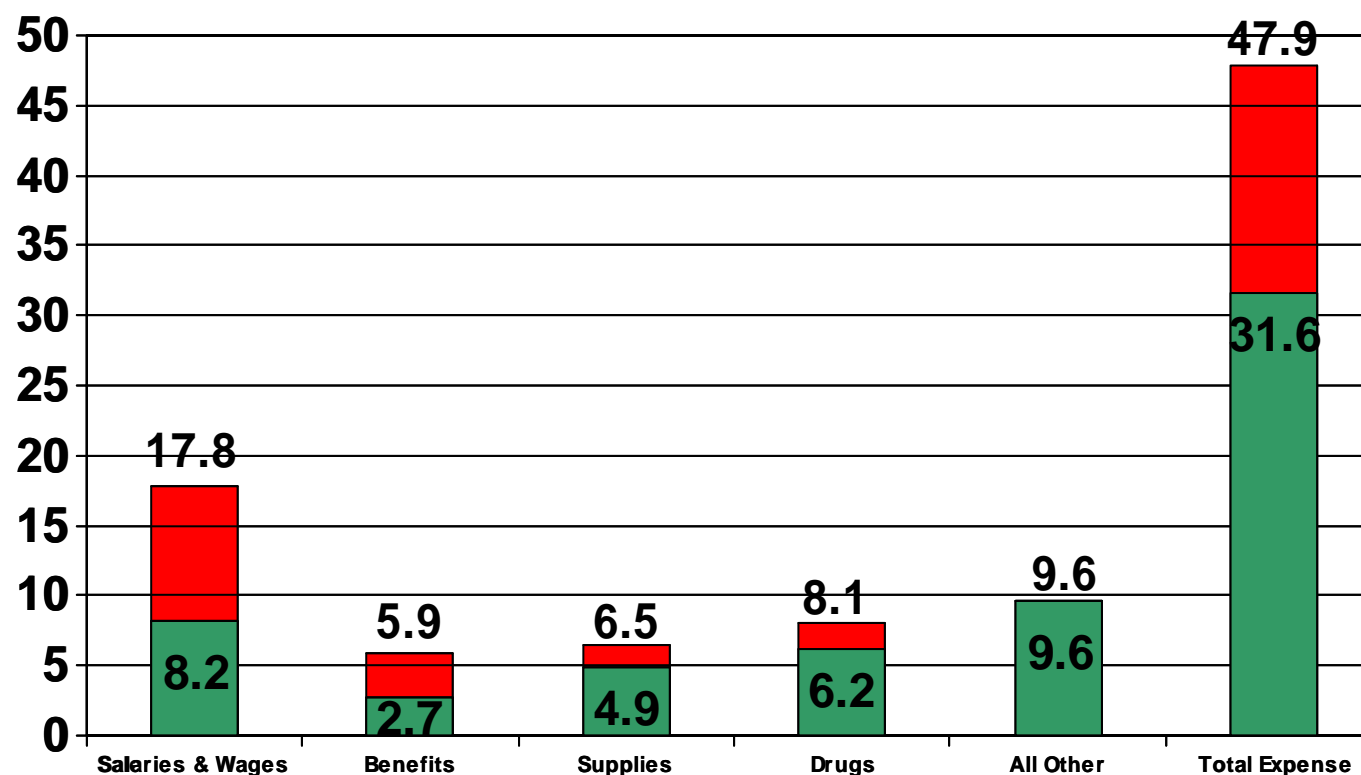


\* Benchmark is the 50<sup>th</sup> percentile of the University Health System Consortium for the two quarters ending Dec 2004 inflated by 2004 Midwest Medical Care CPI of 6.4% annually..

## Operating Costs With Efficiency Initiatives

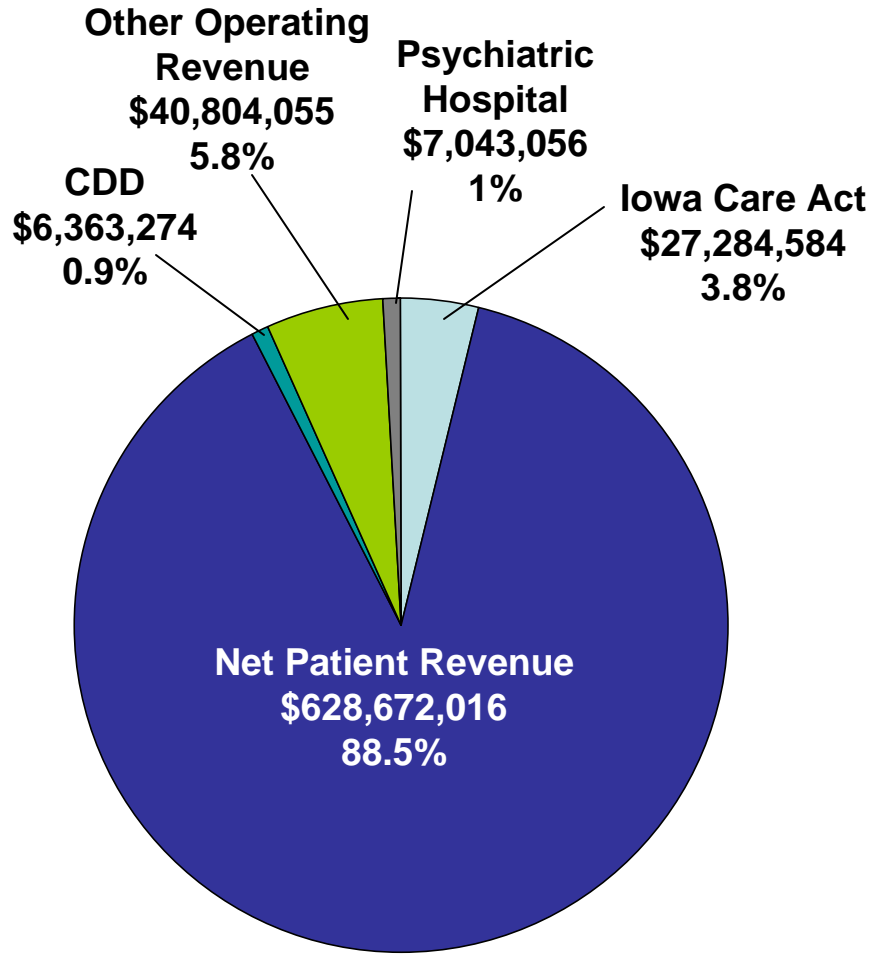
*Growth in Budget of 2006 vs. Projected 2005*

MILLIONS

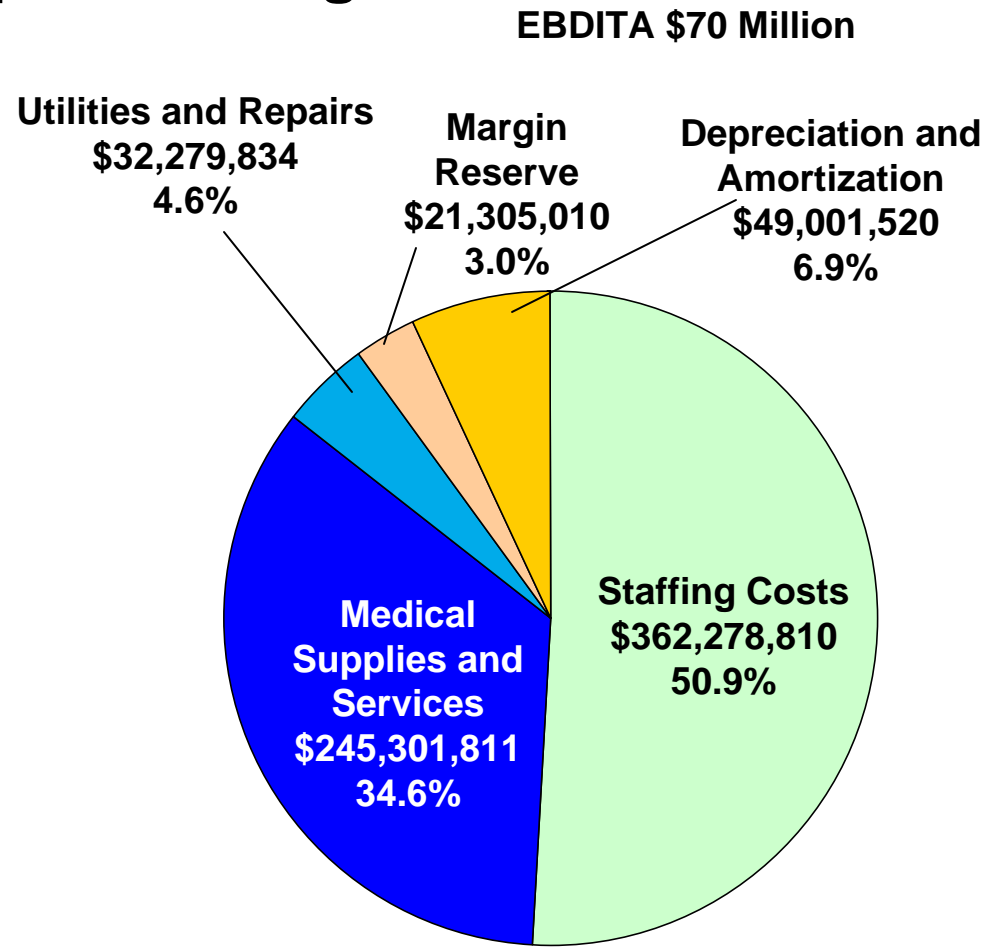


\*Assumes length of stay reduction of .5 day, 2% average productivity improvement, limit supply inflation to 4.0%, limit drug cost inflation to 8.0%

# Combined Hospitals Sources and Uses of FY06 Proposed Budget



**TOTAL = \$710,166,985**



**TOTAL = \$710,166,985**



## FY 2006 Operating Budget Assumptions

### The Need for Capital Reserves

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

## FY 2006 Operating Budget Assumptions

### Income Statement

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

### Balance Sheet

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

## Six Year Summary of Operations

	FY2001	FY2002	FY2003	FY2004	Ten Months Ended April 30, 2005	Projected FY2005	Budgeted FY2006
**Acute Admissions	23,286	23,388	24,104	25,384	20,794	25,209	25,839
**Length of Stay	7.51	7.59	7.24	6.94	7.06	7.11	6.50
Surgical Cases	18,986	19,814	20,269	20,644	17,114	20,582	21,096
Clinic Visits	592,752	622,584	631,443	669,045	553,891	679,753	693,348
Market Share	6.1%	6.2%	6.7%	7.0%	N/A	N/A	N/A
Net Patient Revenue	\$505.2M	\$499.0M	\$546.0M	\$590.0M	\$514.8M	\$624.0M	\$656.0M
EBDITA	\$62.0M	\$51.3M	\$50.0M	\$51.5M	\$56.8M	\$64.9M	\$70.0M
EBDITA Margin	11.3%	9%	8.3%	8%	10.2%	9.6%	9.9%
Operating Income	\$20.0M	\$11.4M	\$8.5M	\$10.2M	\$16.3M	\$20.2M	\$21.4M
Operating Margin	3.6%	2.0%	1.4%	1.6%	2.9%	3.0%	3.0%
Case Mix Index*							
All Acute Inpatients	1.5712	1.5866	1.6272	1.5950	1.6759	1.6239	1.6239
Medicare Inpatients	1.7778	1.7602	1.8182	1.7822	1.8204	1.8502	1.8502

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

\*\* All years presented exclude newborn nursery utilization.

Net Patient Revenue includes State Indigent Care Appropriation and projected FY 2006 Iowa Care receipts.

## Aa Bond Rating Key Financial Ratio Comparison

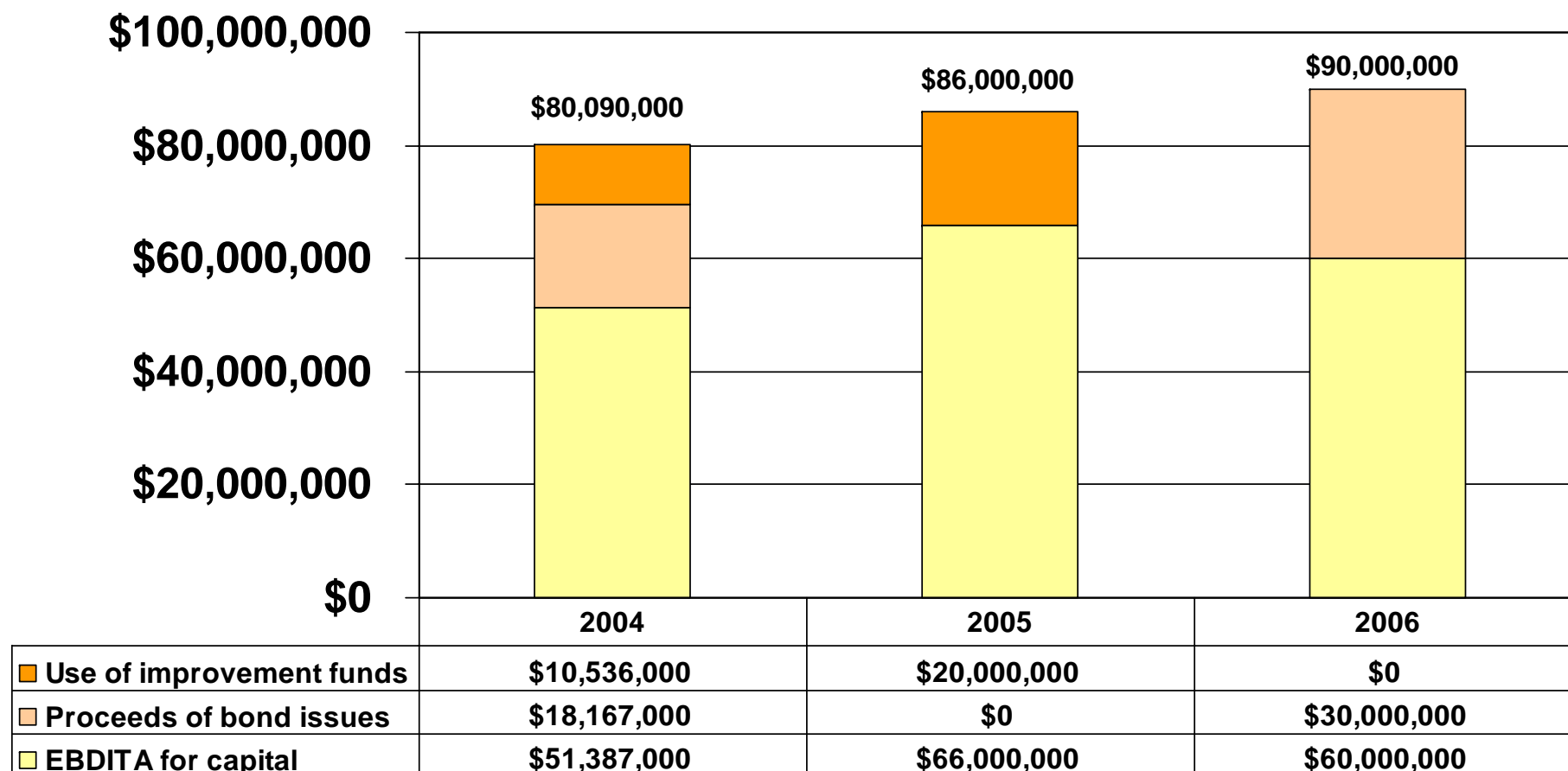
	Audited UIHC FY 2001	Audited UIHC FY 2002	Audited UIHC FY 2003	Audited UIHC FY 2004	UIHC April 05 YTD	UIHC FY 05 Projected	UIHC FY 06 Budgeted	Median Moody's Aa Rating*
Days Cash on Hand	244.1	239.4	221.1	214.4	224.5	218.0	232.3**	224.9
EBDITA Margin	11.3%	9.0%	8.3%	8.0%	10.2%	9.6%	9.9%	11.2%
Operating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

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

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

# FY 2006 Capital Budget

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



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

## FY 2006 Alignment of Strategic and Capital Plans

### Innovative Care

#### Innovative Care

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

### Excellent Service

#### Excellent Service

- Patient and Visitor Service Center Construction

### Exceptional Outcomes

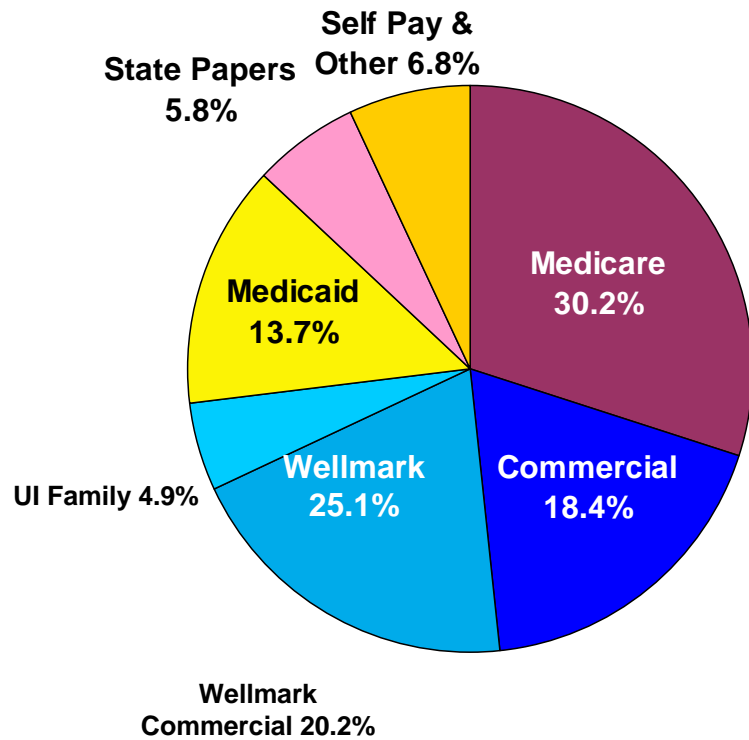
#### Exceptional Outcomes

- Clinical Information Systems

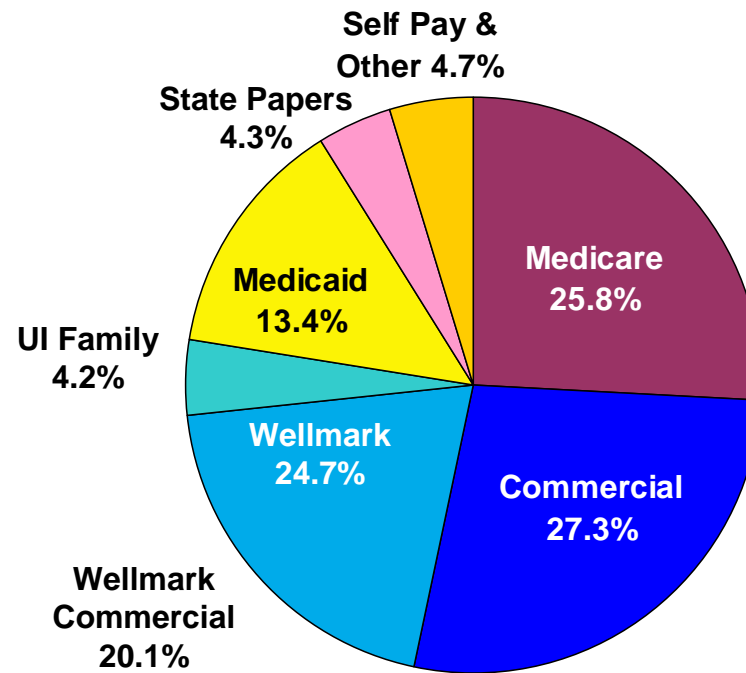
# FY 2006 Reimbursement Strategy



## Gross Patient Charges By Primary Payor



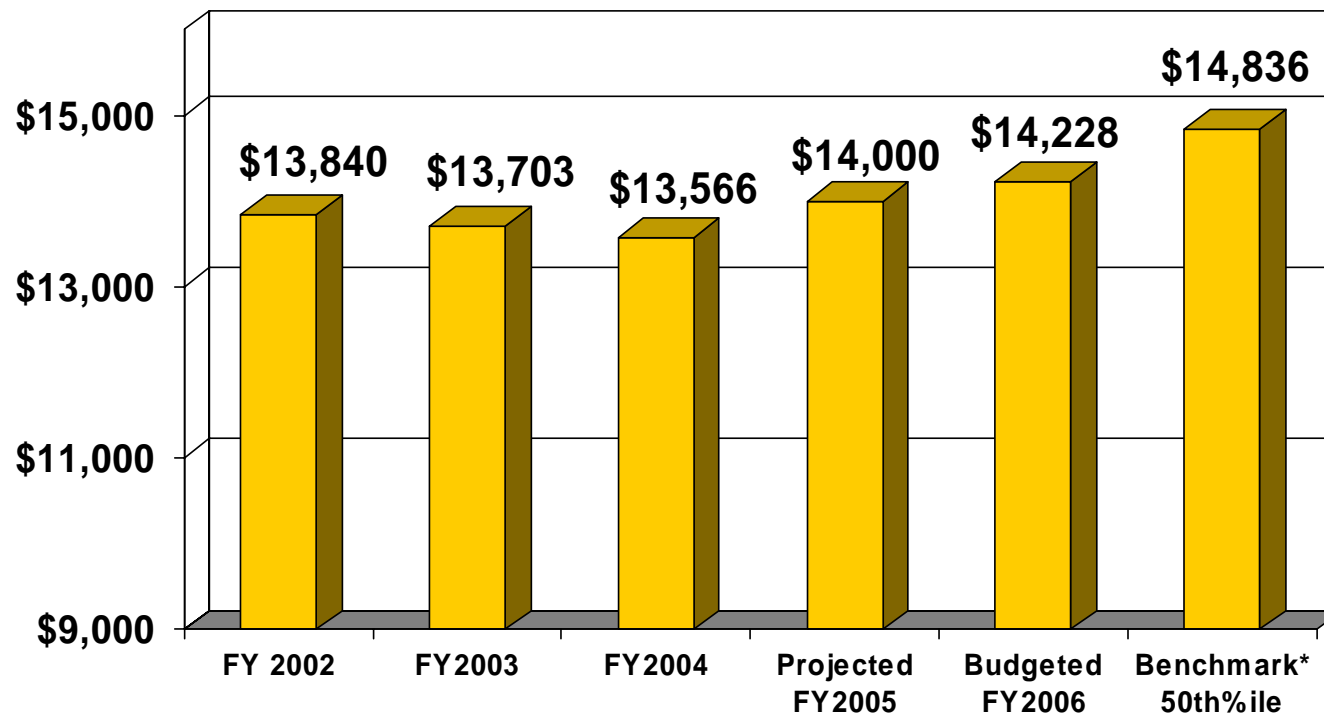
## Reimbursement By Primary Payor



**Year to Date April, 2005**  
 Includes Inpatient and Outpatient Services

## Patient Revenues per Unit of Service

### Net Patient Revenue\*\* per Adjusted Discharge



\* Benchmark is the 50<sup>th</sup> percentile of the University Health System Consortium for the two quarters ending December 2004.

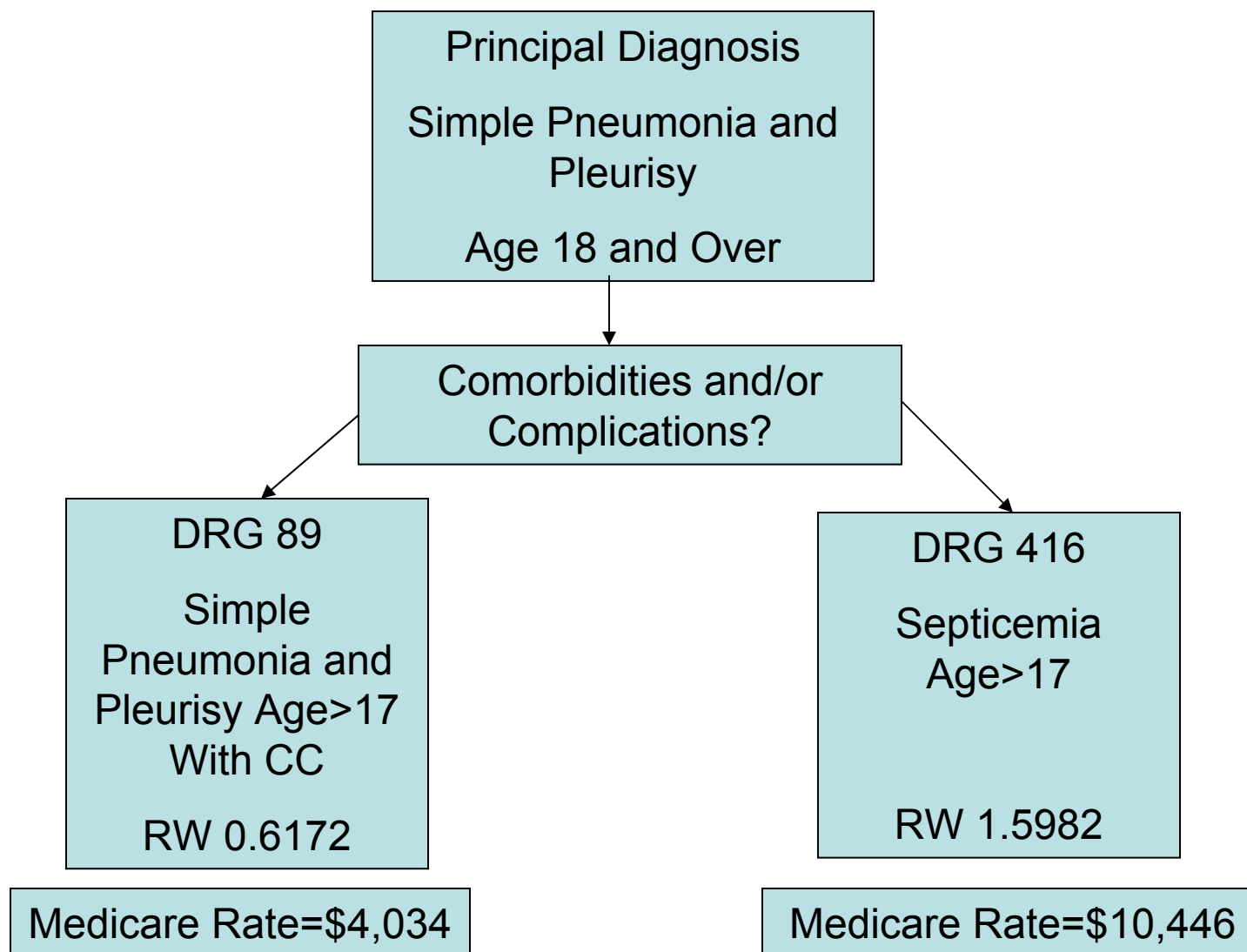
\*\* Net paying patient revenue plus Chapter 255 state indigent patient care program appropriation receipts.

## FY 2006 Revenue Plan

### Cash Acceleration and Revenue Cycle Redesign

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

## Documentation Accuracy/ Coding and Effect of DRG Assignment



## Why do hospitals need to monitor 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.
- 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.
- Each 1.0% rate increase at UIHC translates to a 0.24% actual increase in net patient revenue.
- UIHC continues to lag academic medical center peers by as much as 20%.
- UIHC has historically lagged state-wide rate increases at other hospitals.
- University HealthSystem Consortium members (UHC) anticipate rate increases in 5-15% range, averaging 8%.

## How Charge Structure Effects Payors

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

## FY2006 Budgeted Net Revenue Increases by Source

Rate Increase	6.5%	7.5%	8.5%	9.5%
Volume Increase	\$11.9M	\$11.9M	\$11.9M	\$11.9M
Related to Rate Increase:				
Managed Care and Commercial	8.5	9.8	11.1	12.5
Other Government Payor	.3	.3	.4	.4
Self Pay	<u>.5</u>	<u>.6</u>	<u>.6</u>	<u>.7</u>
Total Related to Rate Increase	9.3	10.7	12.1	13.6
Medicare	4.3	4.3	4.3	4.3
Medicaid	0.0	0.0	0.0	0.0
Commercial – Fee Schedule	3.5	3.5	3.5	3.5
<b>TOTAL</b>	<b>\$29.0M</b>	<b>\$30.4M</b>	<b>\$31.8M</b>	<b>\$33.3M</b>

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

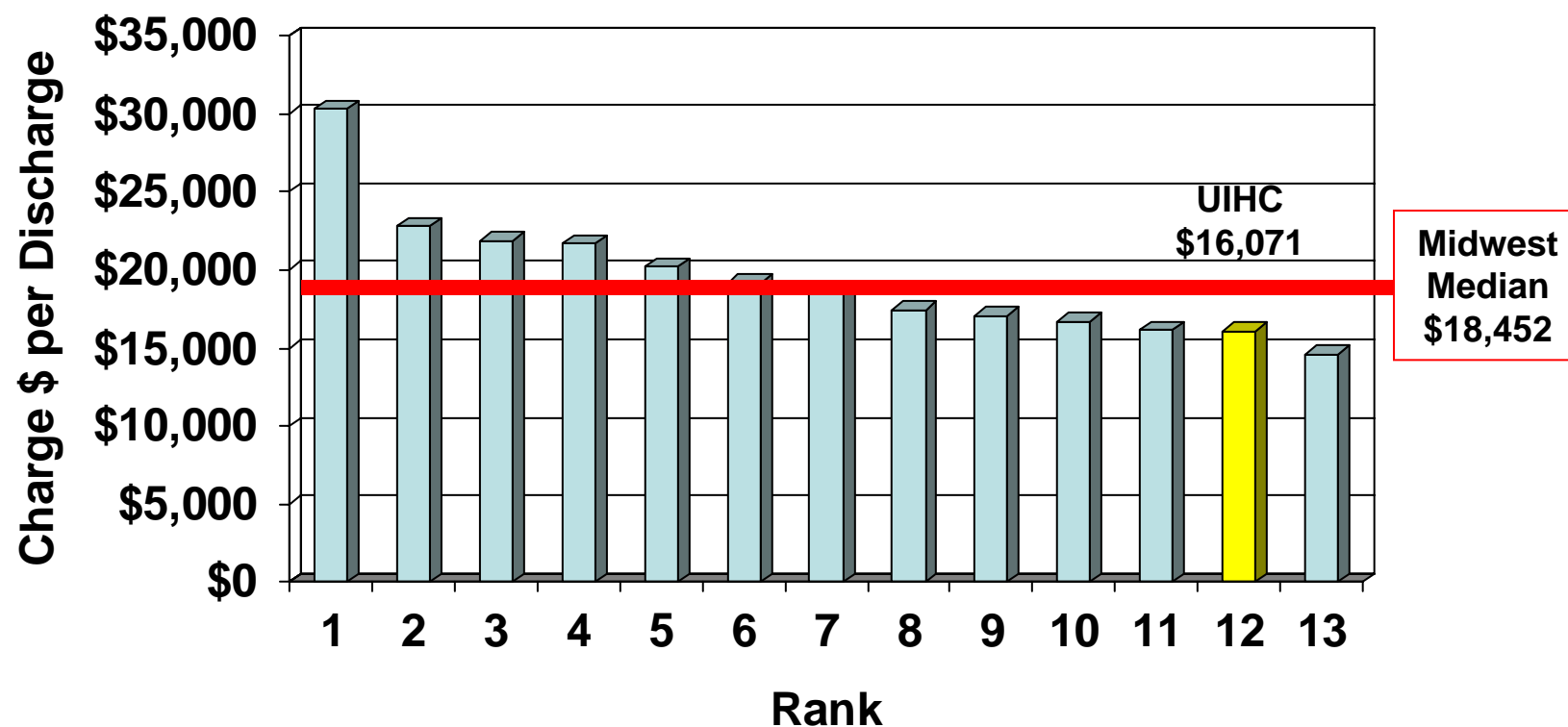
- Set base annual rate increase at projected medical inflation rate, plus increments for shortfalls in governmental and private reimbursements
- Set annual budgets to progressively increase operating margin needed for funding the capital needs of a state-of-the-art academic medical center

### For Fiscal Year 2005-2006

- 6.5% rate increase
- 3.2% minimum operating margin

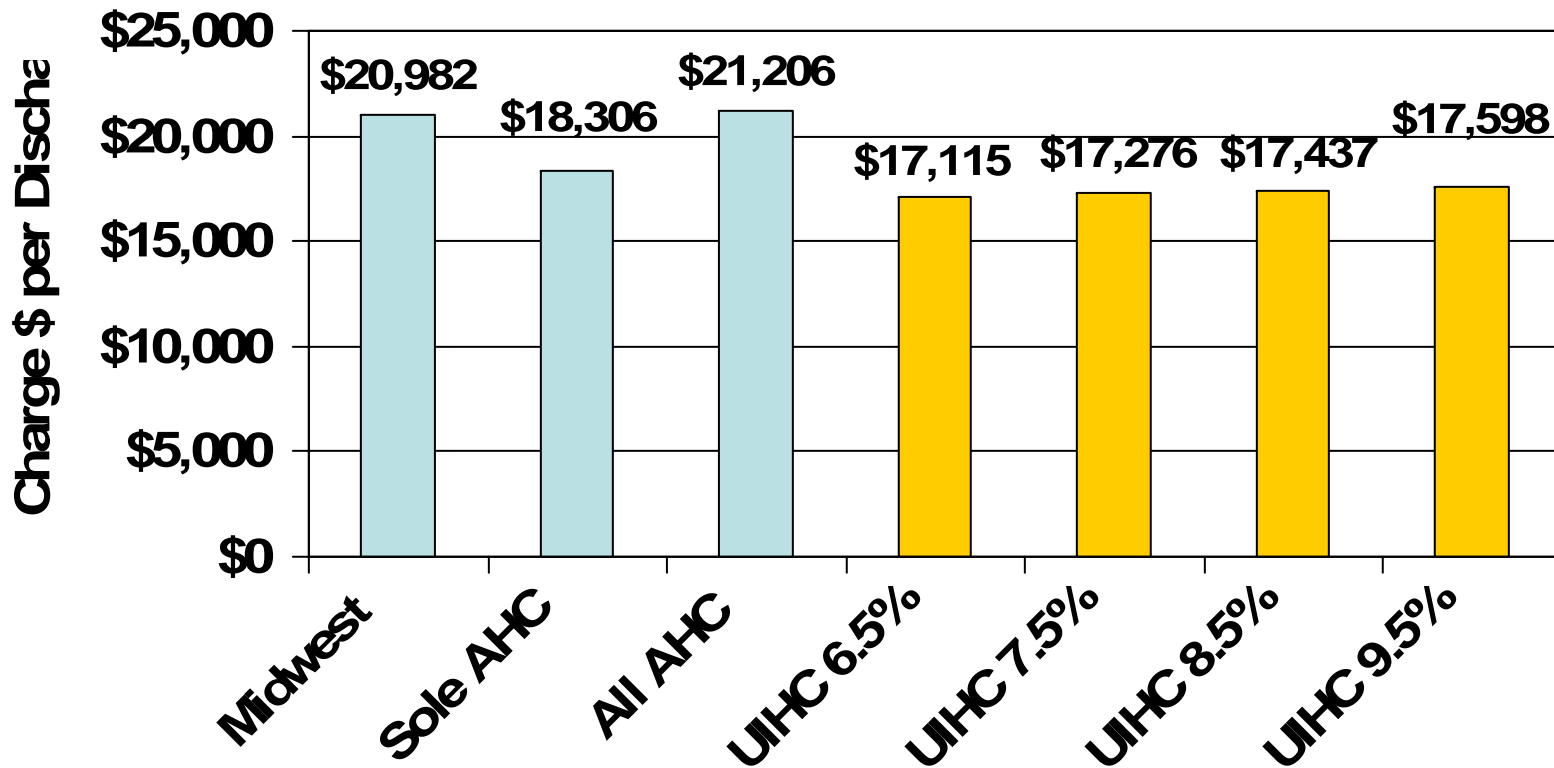


## Midwest Academic Medical Centers Case Mix Adjusted Charges per Discharge CY 2004



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

## Projected FY2006 Comparison to Other AHC's after Charge Increase



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

## What Is The Impact Of Charge Increases On Employers?

- If fully insured, no immediate impact. Risk is assumed by insurer.
- If self-insured, impact of charge increase limited to those services paid on discount from charges.
- Approximately 78% of UIHC total charges are paid at a fixed rate versus a discount from charges, though all payor categories are effected by the charge structure level.

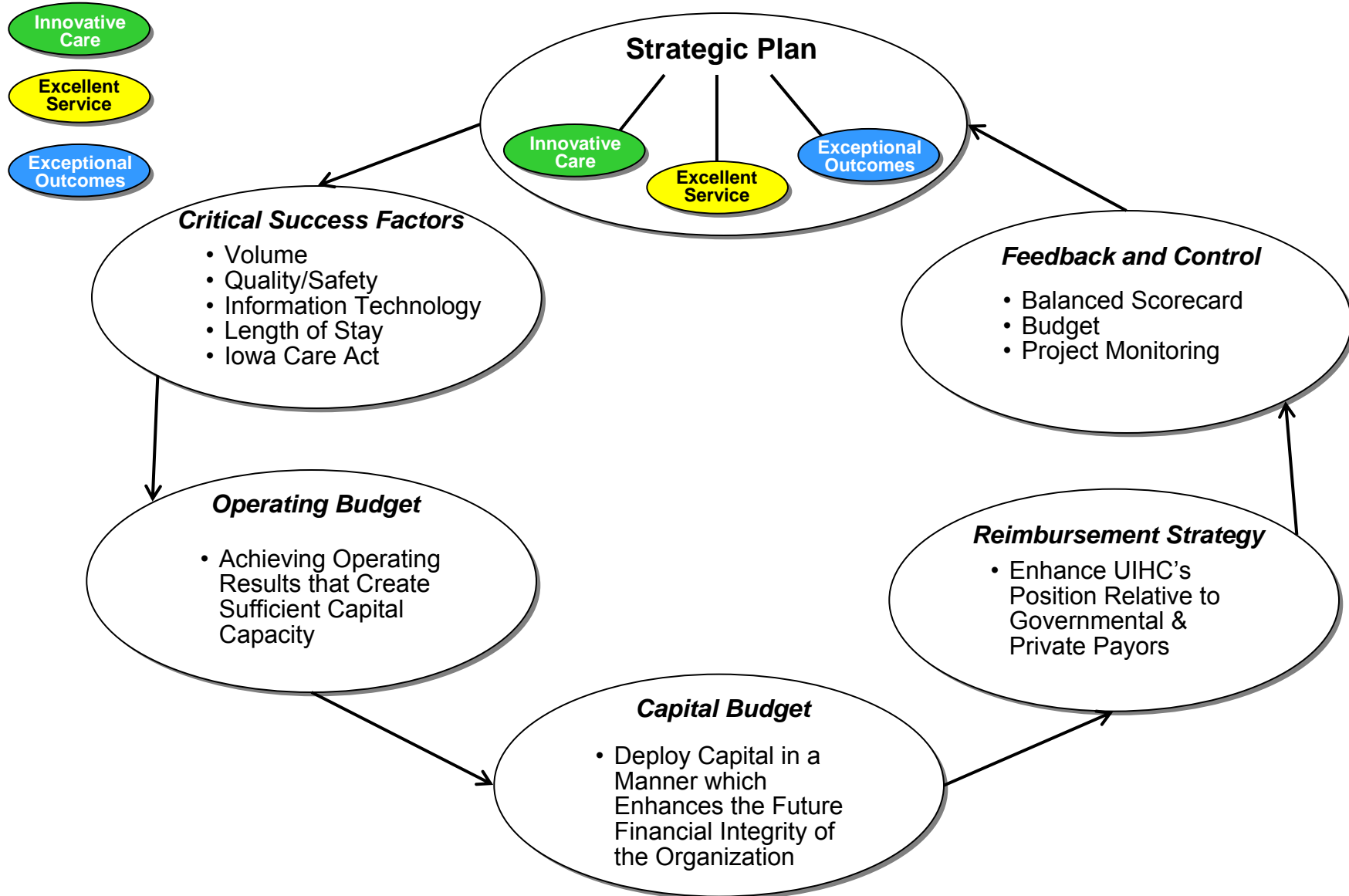
## What Is The Impact Of Charge Increases On Patients?

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

## 2005 UI Health Care Guidelines for Uncompensated Care Discount Percentages

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

# UIHC Strategic Plan & FY 2006 Budget



Source: Adapted from KaufmanHall

# Discussion and Questions

# Appendix



# Appendix- Alignment of Strategic and Operating Plans

# FY 2006 Alignment of Strategic and Operating Plans

## Innovative Care

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

## FY 2006 Alignment of Strategic and Operating Plans

### Excellent Service

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

# FY 2006 Alignment of Strategic and Operating Plans

## Excellent Service

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

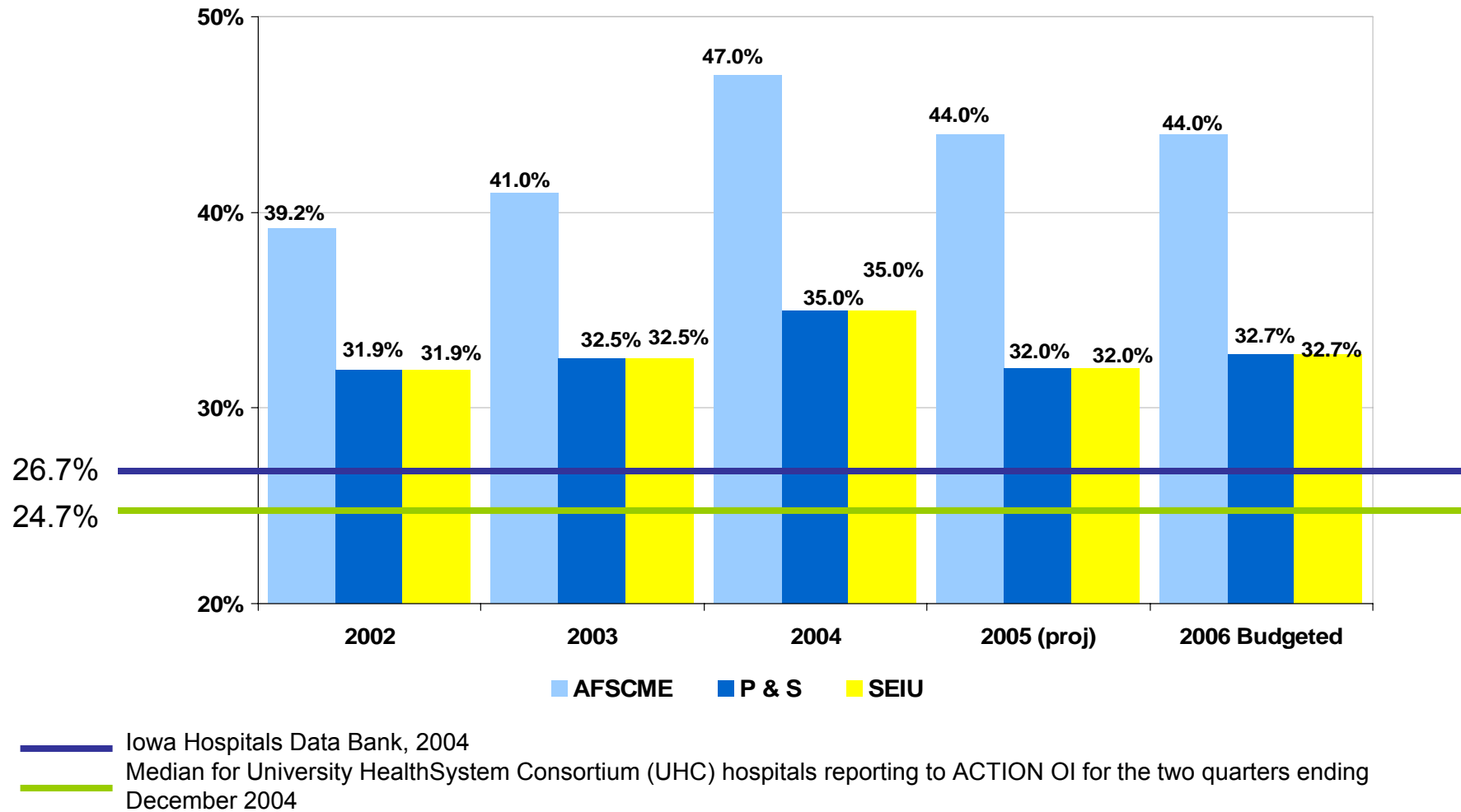
## FY 2006 Alignment of Strategic and Operating Plans

### Exceptional Outcomes

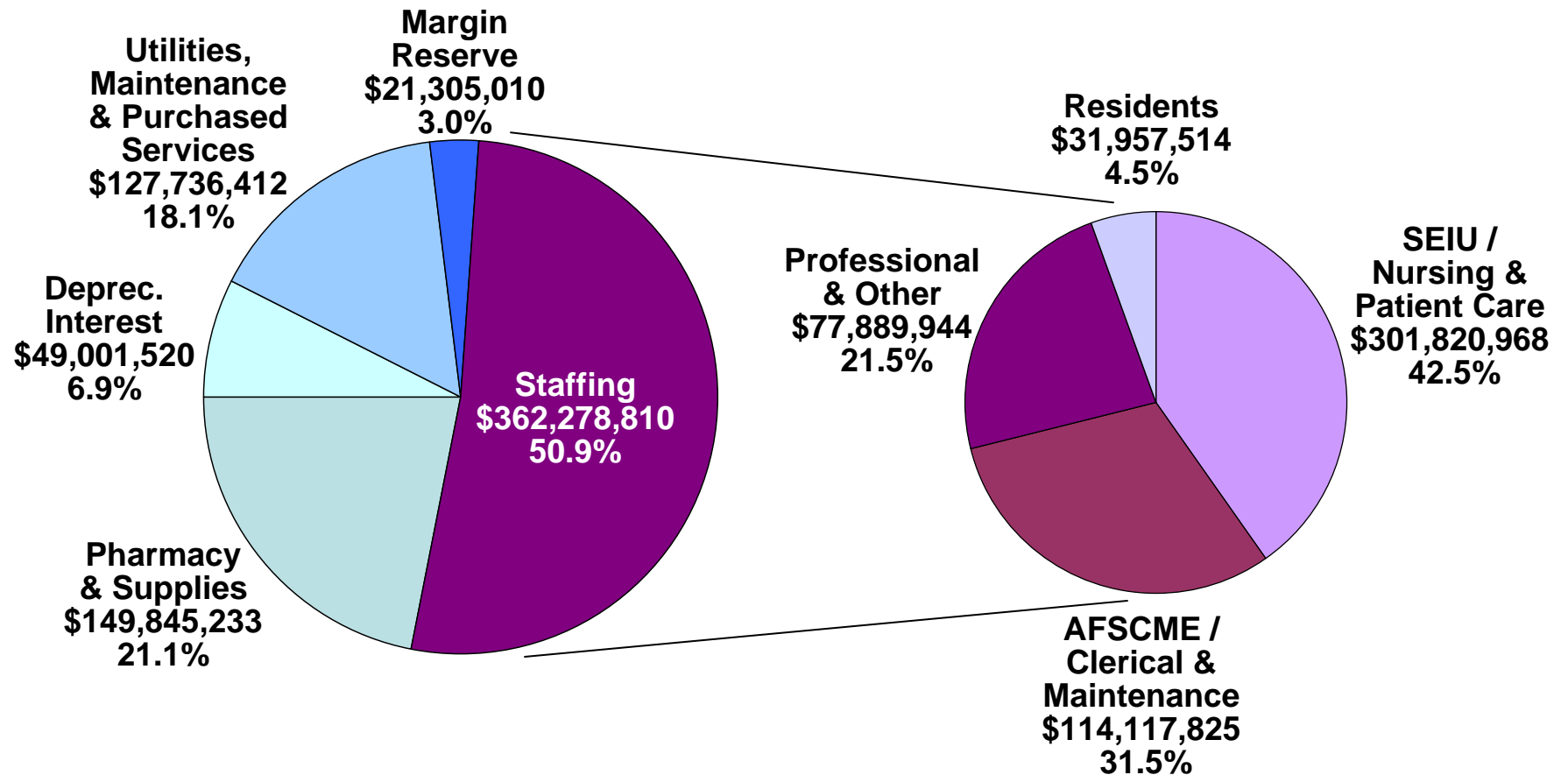
- JCAHO Readiness
- Magnet Readiness
- Bar code scanning of blood products
- New isolation gowns
- Electronic Medication Administration System
- Participation in IHA Quality Initiative

# Appendix- Cost and Margin Information

# Aggregate Fringe Benefit Costs as a Percent of Salary Dollar



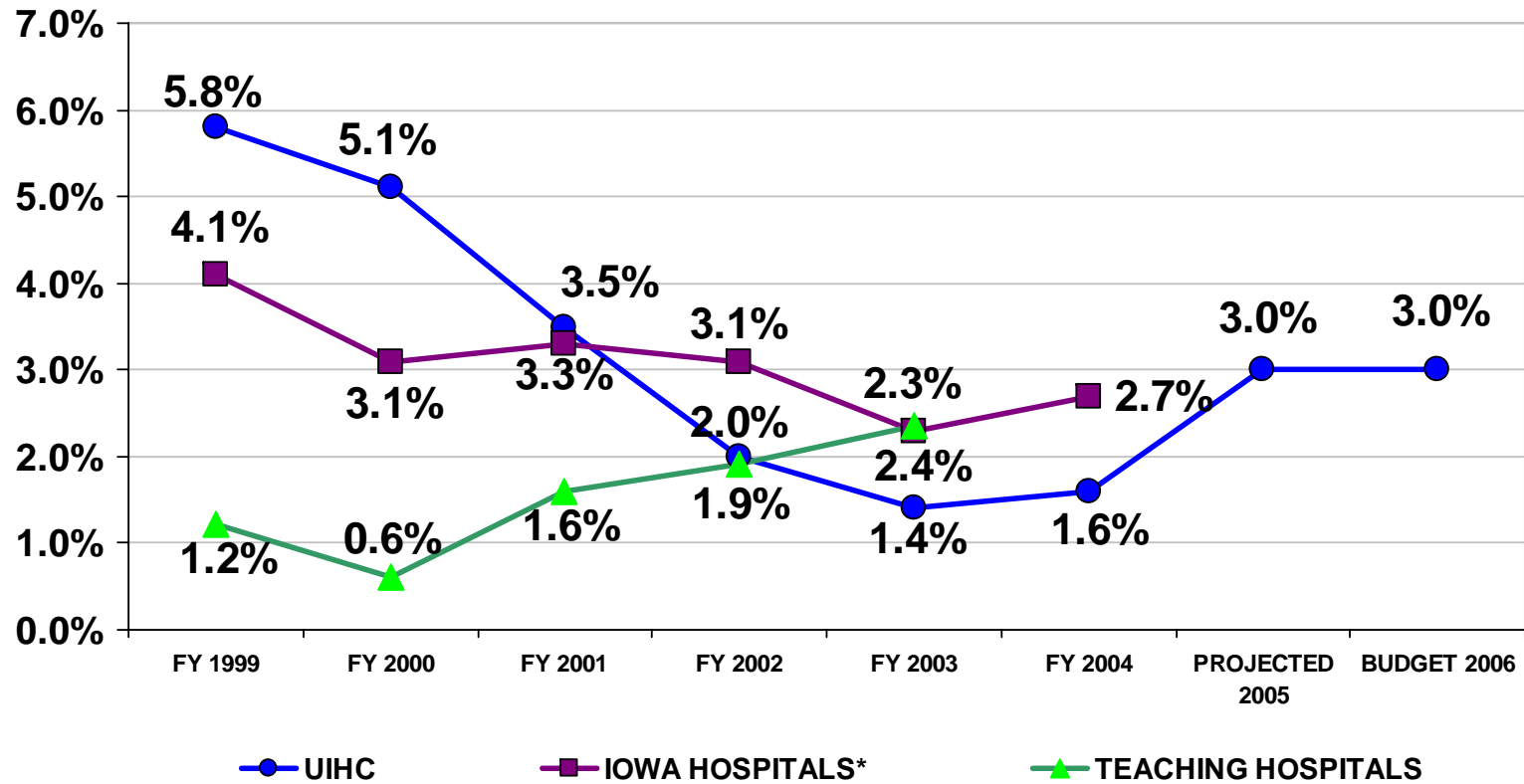
## UIHC Cost Structure FY 2006 Proposed Budget



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



## Operating Margin Comparisons



\* Iowa Hospital Association Annual Report and DATABANK reports.

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

# Appendix- Reimbursement Strategy

## AHC's Peer Comparison Average Charges per Discharge

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

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

Source: University Healthsystem Consortium, case mix adjusted data

## AHC's Peer Comparison Average Charges per Patient Day

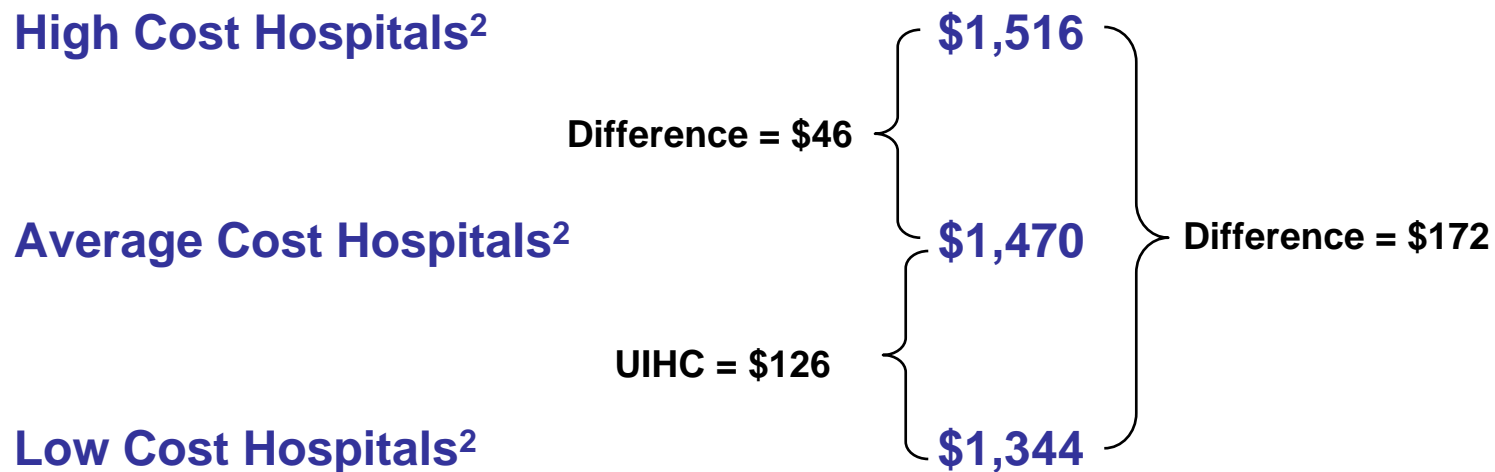
	All AHC Members	Midwest Members	Sole AHC in Market
<b>Minimum</b>	\$ 1,678	\$ 2,258	\$ 2,130
<b>25th Percentile</b>	\$ 2,402	\$ 2,770	\$ 2,552
<b>Median</b>	\$ 2,912	\$ 3,216	\$ 2,845
<b>75th Percentile</b>	\$ 3,934	\$ 3,723	\$ 3,311
<b>Maximum</b>	\$ 9,778	\$ 4,905	\$ 3,602
<b>UIHC %tile</b>	22%	8%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

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

Source: University Healthsystem Consortium, case mix adjusted data

## Impact of Higher Charges on Copayments

### Average Out-Of-Pocket Copayment Per Admission, All Patients<sup>1</sup>



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

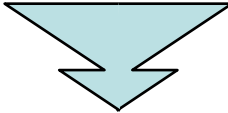
<sup>1</sup> The benefit plan design applied to develop average out-of-pocket cost per admission is comprised of a \$300 deductible, \$1,800 OOP maximum, and 90% coinsurance.

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

Source: Milliman USA, Consulting Actuaries

## Out-of-Pocket Maximums Limit Impact on Patients

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

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

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

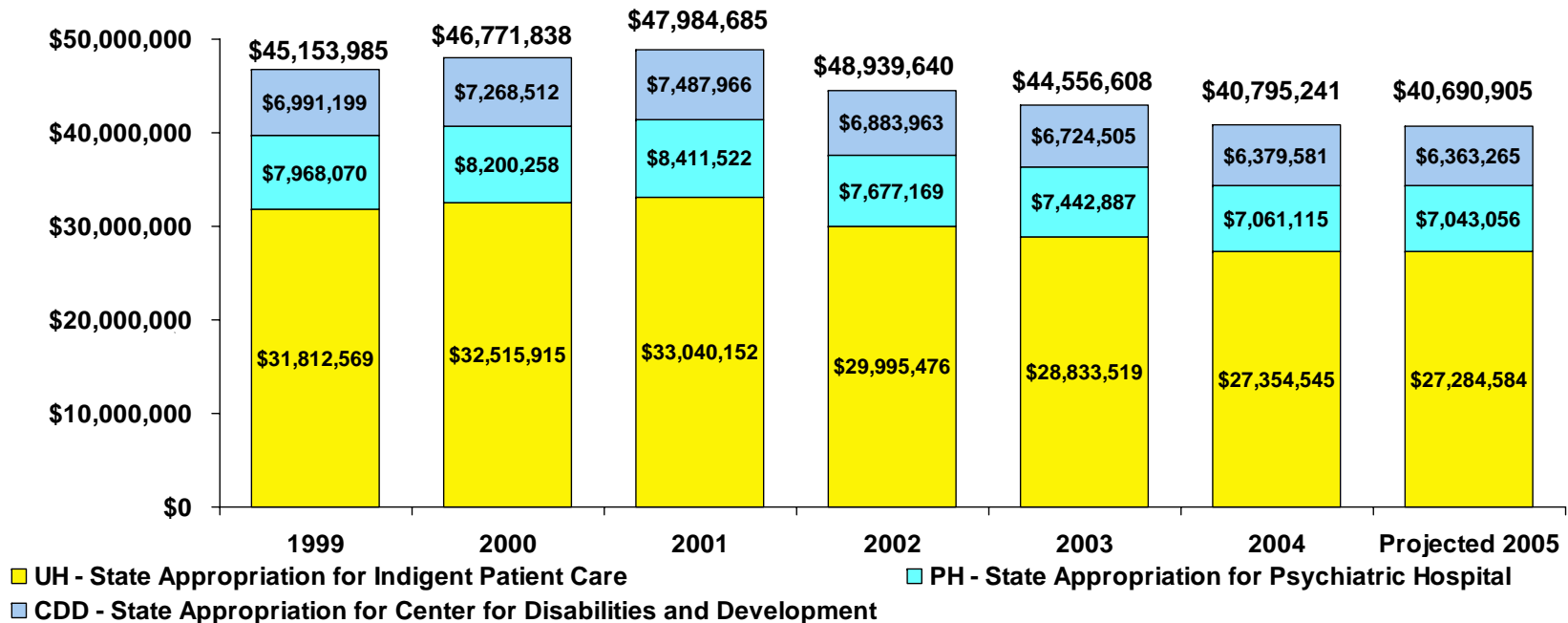
<sup>1</sup> “High Cost” hospital is defined as a hospital in the upper quartile of case mix-adjusted allowable charges developed from more than 300,000 PPO admissions and corresponding outpatient visits modeled through three standard benefit plan designs.

Source: Milliman USA, Consulting Actuaries

## HISTORICAL STATE APPROPRIATIONS

### Actual Dollars - Combined Hospital Units

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

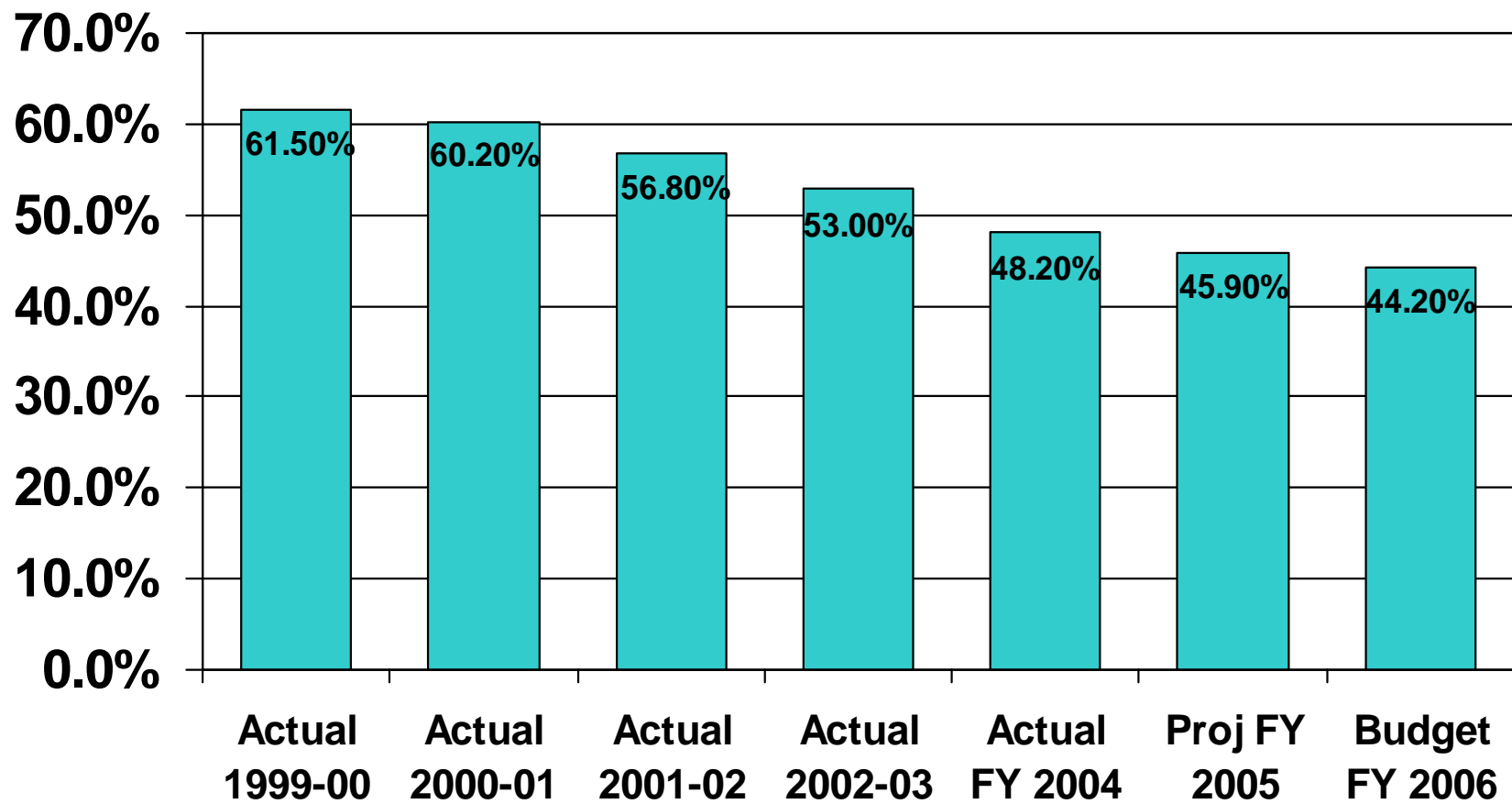


## Components of other operating revenue

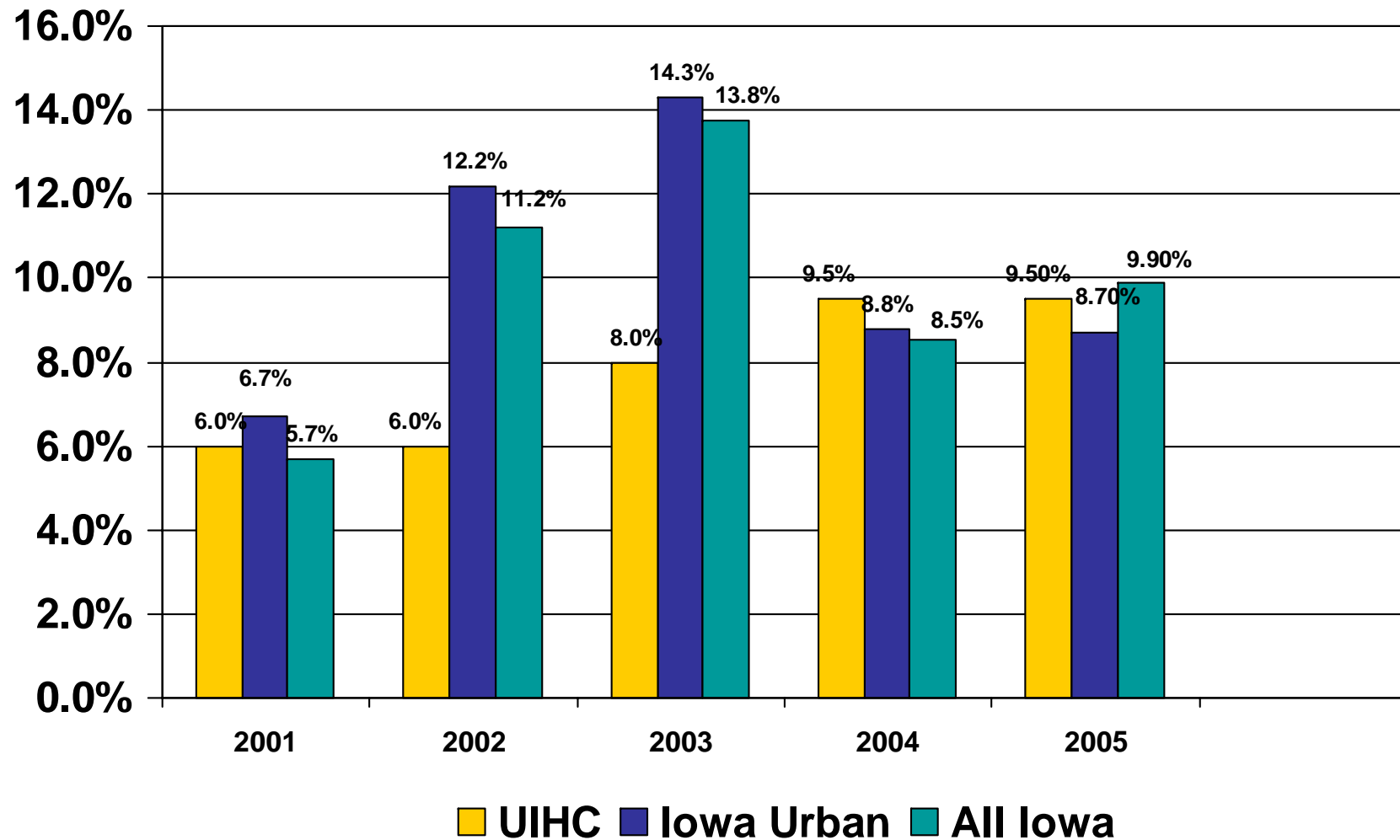
<b>Gifts &amp; Grants</b>	<b>\$11.8 M</b>
<b>Food Sales</b>	<b>7.1 M</b>
<b>External Drug Sales</b>	<b>1.1 M</b>
<b>Other External Sales</b>	<b>1.1 M</b>
<b>Purchased Services – Related Party</b>	<b>19.7 M</b>
<b>Total</b>	<b>\$40.8 M</b>



## Net Paying Patient Revenue as a Percent of Gross Patient Charges

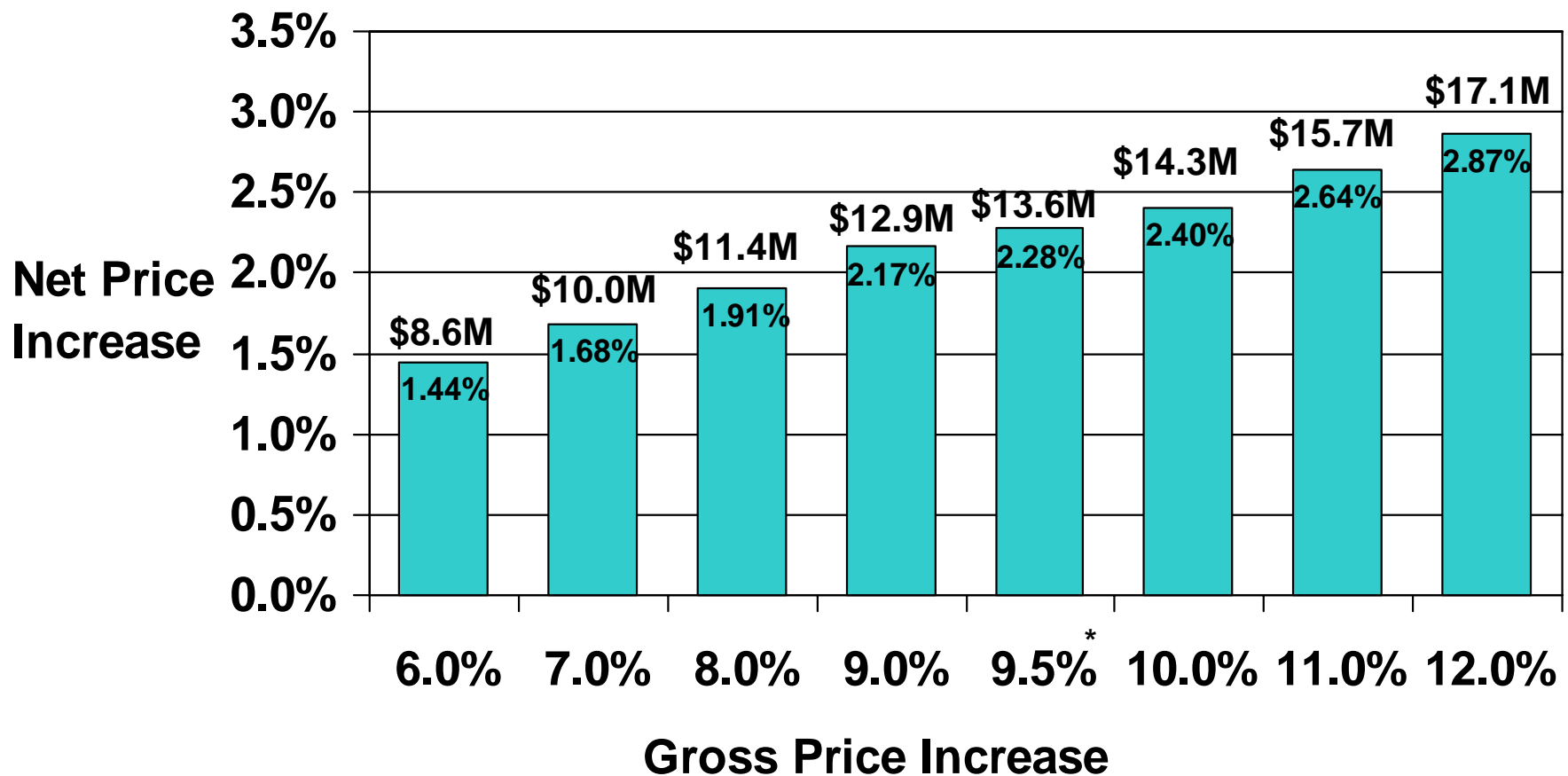


## Aggregate Rate Increase History



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

## Projected Percentage Net Price Increases at Alternate Gross Price Increases



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



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

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

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

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

**Anticipated Requested Board/Board Office Actions:**

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

**Summary by Source of Funds:**

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

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

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

**Project Prioritization:**

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

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

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

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

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

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





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



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



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



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



	Estimated Cost	Funds Source(s)	Estimated New Operations & Maintenance Costs	Anticipated Source(s) of Operations & Maintenance Funds	UIHC Priority
<b>Remodel/Renovation (cont.)</b>					
<ul style="list-style-type: none"> <li>Pappajohn Pavilion Curtain Wall Modifications</li> </ul> <p>This project provides for modifications to an existing level 7 John Pappajohn Pavilion (JPP) curtain wall system to eliminate leaks into occupied patient care and support facilities located on level 6 JPP. Temporary modifications have been made to address this situation but permanent corrective action is required to prevent the leaks from re-occurring.</p>	\$375,000	9	\$0	NA	2
<ul style="list-style-type: none"> <li>Center for Disabilities and Development Emergency Generator Replacement</li> </ul> <p>This project provides for the replacement of the emergency generator and select components presently serving the Center for Disabilities and Development (CDD). CDD-one of the hospitals of UIHC-is a separate, 3-story facility serving the health care needs of individuals with severe disabilities and neuro-trauma. The existing emergency generator to be replaced is a 1960s era device originally moved to the CDD in used condition when a larger emergency power generator was installed in General Hospital. Replacement parts are no longer and growing facility electrical demands are rapidly exceeding its power generating capacity. Additionally, CDD has recently experienced occasions when its emergency power generator has failed to respond during loss of domestic power. Failure to upgrade this device presents potential life safety risks for patients, staff, and visitors.</p>	\$250,000	1	\$0	NA	2
Subtotal - Remodel/Renovation	\$27,654,000	9	\$0		
<b>Utility Expansion</b>	\$0	NA	\$0	NA	NA
<b>Telecommunication Expansion</b>	\$0	NA	\$0	NA	NA
<b>Parking Improvements</b>	NA	NA	NA	NA	NA
(Parking improvements are documented and reported by the General University)					
<b>Total</b>	\$59,142,000		\$2,355,000		

**Fund Sources:**

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

**Project Prioritization:**

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



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

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

1. Center of Excellence in Image-Guided Radiation Therapy and 3-Story Building Shell Above the Center of Excellence

\$39,644,000

Project bids were received in the second quarter of FY 2003. Completion of the Center of Excellence in Image-Guided Radiation Therapy occurred in the fourth quarter of FY 2005. Completion of the 3-Story Building Shell above the Center is expected in the first quarter of FY 2006.

of Excellence

2. Intermediate Pulmonary Care Unit Development

\$4,700,000

Project bids were received and construction commenced in the second quarter of FY 2005. Construction is estimated to be complete in the fourth quarter of FY 2006.

3. Positron Emission Tomography Imaging Center Expansion

\$2,460,000

Project bids were received in the fourth quarter of FY 2004. Construction began in the first quarter of FY 2005 and will be complete in the first quarter of FY 2006.

b) **Projects For Which Construction Will Continue During FY 2006**

1. Emergency Treatment Center Expansion and Renovation

\$30,000,000

This project is being completed in two major phases. Phase one, site utilities development and modular MRI unit relocation, commenced in the third quarter of FY 2005 and will be completed by the first quarter of FY 2006.

Construction of phase two, expansion and renovation of the ETC, will commence in the fourth quarter of FY 2005 and be completed in the third quarter of FY 2009.

completed in



2. Pediatric Inpatient Unit Renovation

\$11,875,000

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

the level 3 JCP

3. MRI Center Renovation and System Installation - Phase II

\$3,750,000

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

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

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

\$39,600,000

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

2. Patient and Visitor Services Center

\$4,606,500

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

3. Nursing Clinical Education Center

\$3,800,000

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

**d) Projects On Hold Due to Budget Constraints**

- 1. None

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

- 1. None





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The University of Iowa Hospitals and Clinics

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

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EXPLANATION

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

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

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

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



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

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

7. Emergency Treatment Center Advisory Subcommittee

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

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

**EXPLANATION**

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

*University of Iowa Hospitals and Clinics*

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

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

Section 3: Membership

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

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

**EXPLANATION**

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