

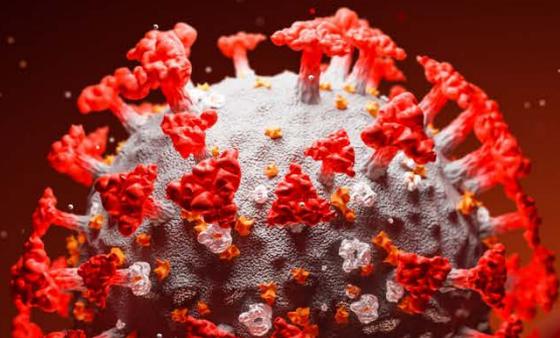


University of Iowa Health Care

Presentation to

The Board of Regents, State of Iowa

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The Financial Implications of COVID-19

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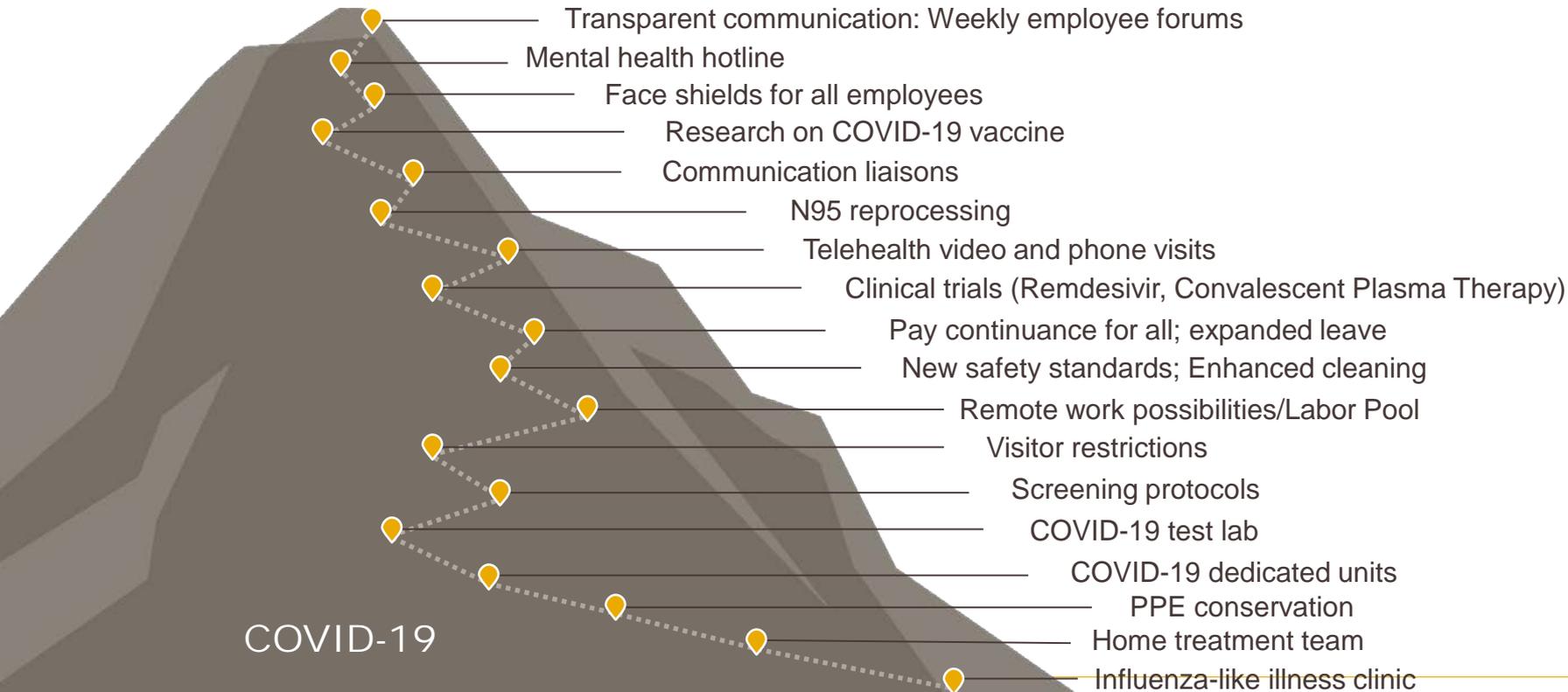
COVID-19: What a Story: The Worst of Times

Charles Dickens said it was the best of times, it was the worst of times...

- COVID-19 was an amazing challenge to our entire health system.
- In the early days, many wondered if we would ever get to the mountaintop
- The challenges:
 - Will our patients and/or staff die?
 - Will we have enough protective equipment?
 - Will we have enough beds or staff or supplies?
 - How will we take care of non-COVID patients?
 - Will we operate? Will we even come to work?
 - What are the best treatments for this disease?
 - How will we work together as one team?
 - How will we ever get anything done quickly?
- To put it simply, our health system was on the brink of complete shutdown if we didn't act fast.

COVID-19: The Best of Times

We may not have it all figured out, but we have done amazing things in a short period of time.



COVID-19: Still One Mountain Ahead

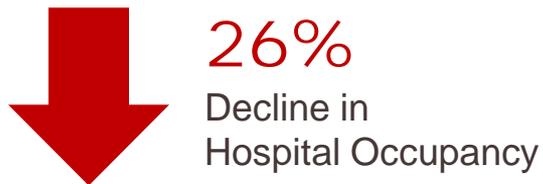
Although we made it over this first mountain, another greater challenge lies ahead



- We are still at the beginning of the story and don't know the exact impact or how long it will last.
- We know that we have never faced a larger financial challenge and we must make some hard decisions.
- It's important that all of us understand the basic finances of UI Hospitals & Clinics.

Historically Low Volumes in April & May

COVID-19 has significantly reduced volumes across the entire health system.



44% ↓
Decline in Clinic
Volumes

21% ↓
Decline in ED
Direct Arrivals

18% ↓
Decline in Direct
Admissions

32% ↓
Decline in ED-
to-ED Transfers

67% ↓
Decline in Main
OR Volume

90% ↓
Decline in ASC
Volume

25% ↓
May

50% ↓
May

\$100M Impact in FY20; Larger Impact in FY21

April has shown us how bad the future could look. The 3 parts of UI Health Care (UIHC, CCOM, UIP) are all at risk.

	COVID IMPACT (in millions)				YTD Margins
	Stimulus	Impact	Net Impact	Monthly Margin	
February		\$0			\$81
March	\$0	-\$31	-\$31	-\$21	\$60
April	\$10	-\$41	-\$31	-\$22	\$38
May (projected)	\$10	-\$39	-\$29	-\$21	\$17
June (projected)	\$10	-\$39	-\$29	-\$19	-\$2
Total	\$30	-\$150	-\$120	-\$83	

- UI Hospitals & Clinics is likely to have a financial impact of \$100M in the last 4 months of FY20.
- The federal stimulus funding will be between \$30-\$40M.
- We could lose \$20-\$30M per month in FY21 if volumes don't return or expenses aren't controlled.
- This does not include the \$5-10M per month that the UIP could lose.

Net Impact to Budgeted 3% Margin Necessary for Replacement Capital

**UIP loss was \$9M in April*

What's wrong with having a lower margin?

We must have a 3.5% margin just to have capital to maintain our present operations

How much essential capital do we need?

Three Year Average

Required Capital (prior to Strategic Investment)

\$80.0M

Space Renovation

\$9.4M

Equipment Replacement

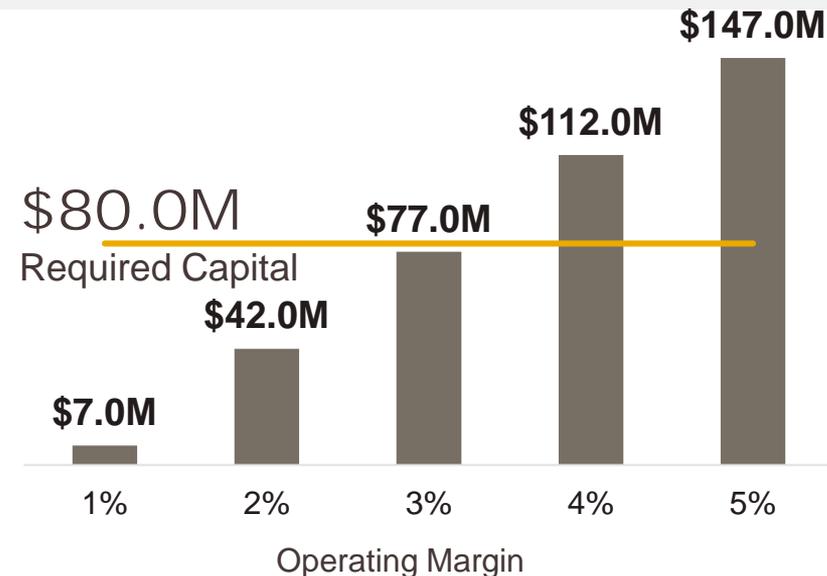
\$40.6M

Building / Infrastructure Maintenance

\$30.0M

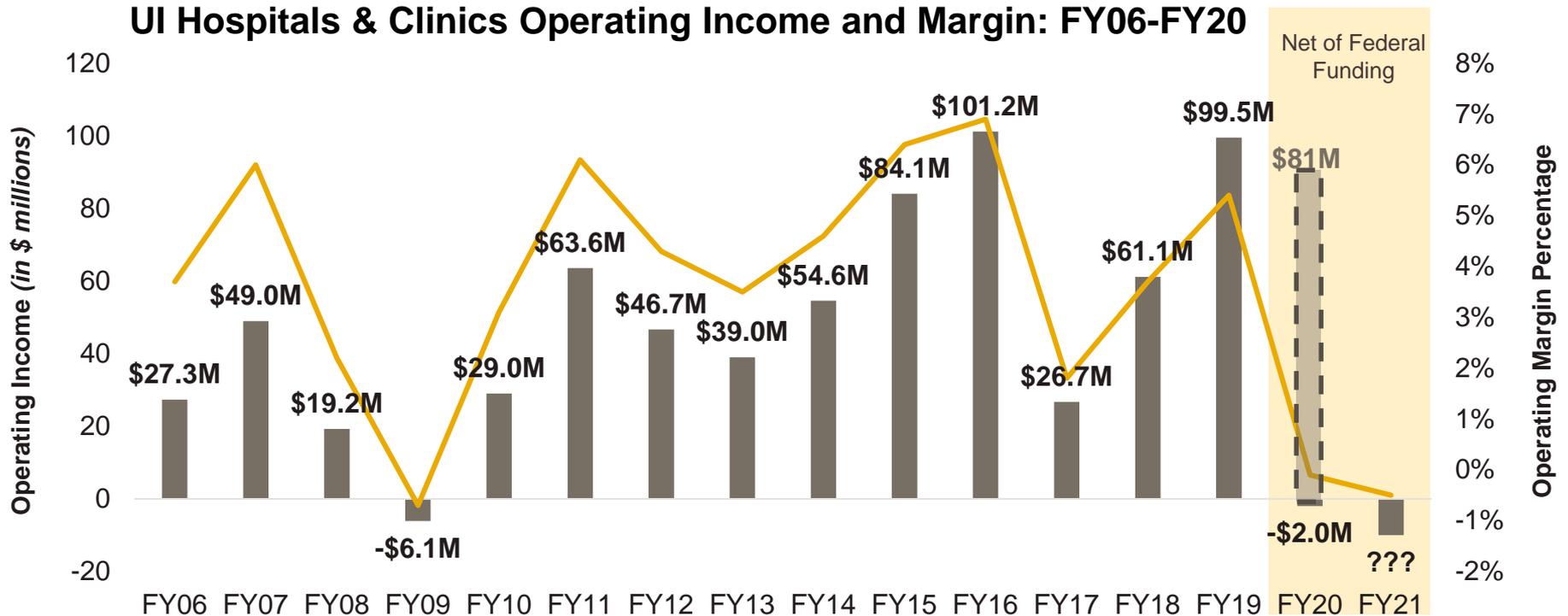
How much margin must we have to afford essential capital?

Assumes Flat Revenue and Increased Debt



These will be the biggest losses in our history

We lost so much volume and kept everyone at full pay.



Next Year Will Be an Even More Difficult Year

Multiple factors will make improved financial performance more difficult next year.



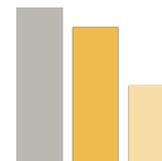
**Slow Return
in Clinic Volume**

\$10-15M



**Ceiling for
Elective Surgeries**

\$20-30M



**Loss of
Transfer Volume**

\$5-10M



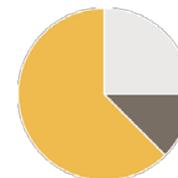
**Potential COVID
Resurgence**

TBD



**Continued
Expense Inflation**

\$30-40M



**Payer Mix
Degradation**

\$40-60M

Potential Annual Negative Impact

This Is Not Where The Story Ends. It's Just Beginning.

We are at the base of the next mountain. It's going to be a steep climb. We know we can do it.

1. Improve inpatient and outpatient throughput to improve overall profitability services by greater scheduling efficiency, interdisciplinary care planning and greater teamwork.
2. Grow high demand programs that lowans need in the areas of cancer, orthopedics, cardiovascular care, and women and children's services.
3. Improve administrative efficiency and effectiveness in the areas of supply chain, coding and revenue cycle management.
4. Think innovatively about expanding hours (e.g. evenings, weekends), serving different geographies to increase patient convenience, and doing more outpatient work off campus.
5. Control labor expense and innovate new models that ensure all staff function at their highest level of clinical and operational capability.

We Have a 5-point Plan to Scale the Next Mountain.

We will get through this whole, and even better, if we work together now.

1



It's safe here

Make this the safest place in Iowa.

2



Earn our position to care for all Iowans

Improve access, convenience, responsiveness, and marketing.

3



Make every department better

Make things more efficient in every department (cost, quality, satisfaction).

4



Accomplish more together

Collaborate across departments to do things we've never done before (cost, quality, satisfaction).

5



Support our people

We will support our team to get this done and make changes.

We Stand Together.

We can scale the next mountain. And we need each member of the team.

- No team is better prepared for this than us.
- Management teams will start implementing 5 point plan.
- New initiatives announced soon.



Questions?

Thank You

