

Presentation to The Board of Regents, State of Iowa | September 2021

University of Iowa Health Care

PRESENTATION TO THE BOARD OF REGENTS, STATE OF IOWA
September 15-16, 2021

Agenda

- Opening Remarks
- Operating and Financial Performance

Opening Remarks

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Brooks Jackson, MD, MBA

Vice President for Medical Affairs

& Tyrone D. Artz, Dean, Carver College of Medicine

Operating and Financial Performance

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Suresh Gunasekaran, MBA

Associate Vice President, UI Health Care
& CEO, UI Hospitals & Clinics

Mark Henrichs

Interim Associate Vice President &
Chief Financial Officer, UI Health Care

Volume and Financial Highlights –FY21

THROUGH JUNE 2021

PRELIMINARY

Operating Margin

- Fiscal Year actual 5.9% vs goal (before COVID risks) of 5.1%

Volume Change

- Year-over-year:
 - Inpatient Discharges -3.4%
 - Acute Patient Days 3.7%
 - Surgeries 8.5%
 - Clinic Visits 31.4% (9.1% excluding ILI)

Acuity

- Case Mix Index 2.38

Length of Stay Index

- Adult at .98
- Pediatrics at 1.02

Revenues

- 3.0% above budget
 - Inpatient above budget 1.7%
 - Outpatient above budget 4.0%
 - HHS Cares Funding of \$35.5M

Payer Mix

- Medicare increasing but below historical average
- FY20 YTD: 38.0%, FY21 YTD: 37.2%

Accounts Receivable

- Days in Net AR– 49.6 days

Salary Expenses

- 3.5% above budget
- Unpaid Time of \$16.2M

Non-Salary Expenses

- 5.7% above budget
- Supply and drug costs above budget

Comparative Financial Results

FY TO DATE JUNE 2021

PRELIMINARY

NET REVENUES	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Patient Revenue	\$2,119,022	\$2,044,063	\$1,888,420	\$74,959	3.7%	\$230,602	12.2%
Other Operating Revenue	83,178	50,626	82,337	32,552	64.3%	841	1.0%
Total Revenue	\$2,202,200	\$2,094,689	\$1,970,757	\$107,511	5.1%	\$231,443	11.7%
EXPENSES							
Salaries and Wages	\$888,757	\$858,731	\$837,285	\$30,026	3.5%	\$51,472	6.1%
General Expenses	1,077,267	1,019,389	940,985	57,878	5.7%	136,282	14.5%
Operating Expense before Capital	\$1,966,024	\$1,878,120	\$1,778,270	\$87,904	4.7%	\$187,754	10.6%
Cash Flow Operating Margin	\$236,176	\$216,569	\$192,487	\$19,607	9.1%	\$43,689	22.7%
Capital- Depreciation and Amortization	106,483	109,769	103,483	(3,286)	-3.0%	3,000	2.9%
Total Operating Expense	\$2,072,507	\$1,987,889	\$1,881,753	\$84,618	4.3%	\$190,754	10.1%
Operating Income	\$129,693	\$106,800	\$89,004	\$22,893	21.4%	\$40,689	45.7%
Operating Margin %	5.9%	5.1%	4.5%		0.8%		1.4%
Gain (Loss) on Investments	116,428	11,082	35,391	105,346	950.6%	81,037	229.0%
Other Non-Operating	(13,529)	(13,857)	(13,451)	328	2.4%	(78)	-0.6%
Net Income	\$232,592	\$104,025	\$110,944	\$128,567	123.6%	\$121,648	109.6%
Net Margin %	10.1%	5.0%	5.6%		5.1%		4.5%

Above is the internal budget, based upon pre-COVID performance. Given the ongoing COVID and economic risks, the final annual budget is lower than shown. 1.9% annual and 1.9% for YTD June.

Key Metrics

	FY21 (Preliminary)	Moody's Median
Financial Operations		
Operating Margin	5.3%	1.1%
Financial – Liquidity		
Days Cash on Hand	242	305
Financial – Leverage		
Debt to Capitalization	15.4%	21.4%

Volume and Financial Highlights –FY22

THROUGH JULY 2021

Operating Margin

- Actual 6.9% vs goal of 3.7%

Volume Change

- Year-over-Year
 - Inpatient Discharges -2.4%
 - Acute Patient Days 0.3%
 - Surgeries -0.8%
 - Clinic Visits -4.8% vs prior year (15.1% excluding ILI)

Acuity

- Case Mix Index 2.38

Length of Stay Index

- Adult at .98
- Pediatrics at 1.02

Revenues

- 2.6% above budget
 - Inpatient below budget 2.1%
 - Outpatient above budget 6.4%

Payer Mix

- Medicare increasing but below historical average
- FY20: 38.0%, FY21: 37.2%, FY22 37.4%

Accounts Receivable

- Days in Net AR– 49.1 days

Salary Expenses

- 3.3% below budget

Non-Salary Expenses

- 2.9% above budget driven by patient supplies and drugs

Comparative Financial Results

FISCAL YEAR TO DATE: JULY 2021

NET REVENUES	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
Patient Revenue	\$185,203	\$178,844	\$177,219	\$6,359	3.6%	\$7,984	4.5%
Other Operating Revenue	4,096	4,066	5,646	30	0.7%	(1,550)	-27.5%
Total Revenue	\$189,299	\$182,910	\$182,865	\$6,389	3.5%	\$6,434	3.5%
EXPENSES							
Salaries and Wages	\$72,901	\$75,352	\$71,423	(\$2,451)	-3.3%	\$1,478	2.1%
General Expenses	93,277	90,665	89,564	2,612	2.9%	3,713	4.1%
Operating Expense before Capital	\$166,178	\$166,017	\$160,987	\$161	0.1%	\$5,191	3.2%
Cash Flow Operating Margin	\$23,121	\$16,893	\$21,878	\$6,228	36.9%	\$1,243	5.7%
Capital- Depreciation and Amortization	10,056	10,062	8,528	(6)	-0.1%	1,528	17.9%
Total Operating Expense	\$176,234	\$176,079	\$169,515	\$155	0.1%	\$6,719	4.0%
Operating Income	\$13,065	\$6,831	\$13,350	\$6,234	91.3%	(\$285)	-2.1%
Operating Margin %	6.9%	3.7%	7.3%		3.2%		-0.4%
Gain (Loss) on Investments	3,165	3,335	7,341	(170)	-5.1%	(4,176)	-56.9%
Other Non-Operating	(1,271)	(1,231)	(850)	(40)	-3.2%	(421)	-49.5%
Net Income	\$14,959	\$8,935	\$19,841	\$6,024	67.4%	(\$4,882)	-24.6%
Net Margin %	7.8%	4.8%	10.5%		3.0%		-2.7%

Key Metrics

	FY22 YTD Through July	Moody's Median
Financial Operations		
Operating Margin	6.3%	1.1%
Financial – Liquidity		
Days Cash on Hand	242	305
Financial – Leverage		
Debt to Capitalization	15.3%	21.4%

COVID-19 Update

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UIHC – COVID Update

Ongoing Modifications

- Continual review and modifications of our safety standards.
- Acceptance of COVID-19 patient transfers even though overall bed capacity remains limited by high demand.
- Creative and efficient creation of additional inpatient and ED space within the present physical plant to deal with increasing volumes.

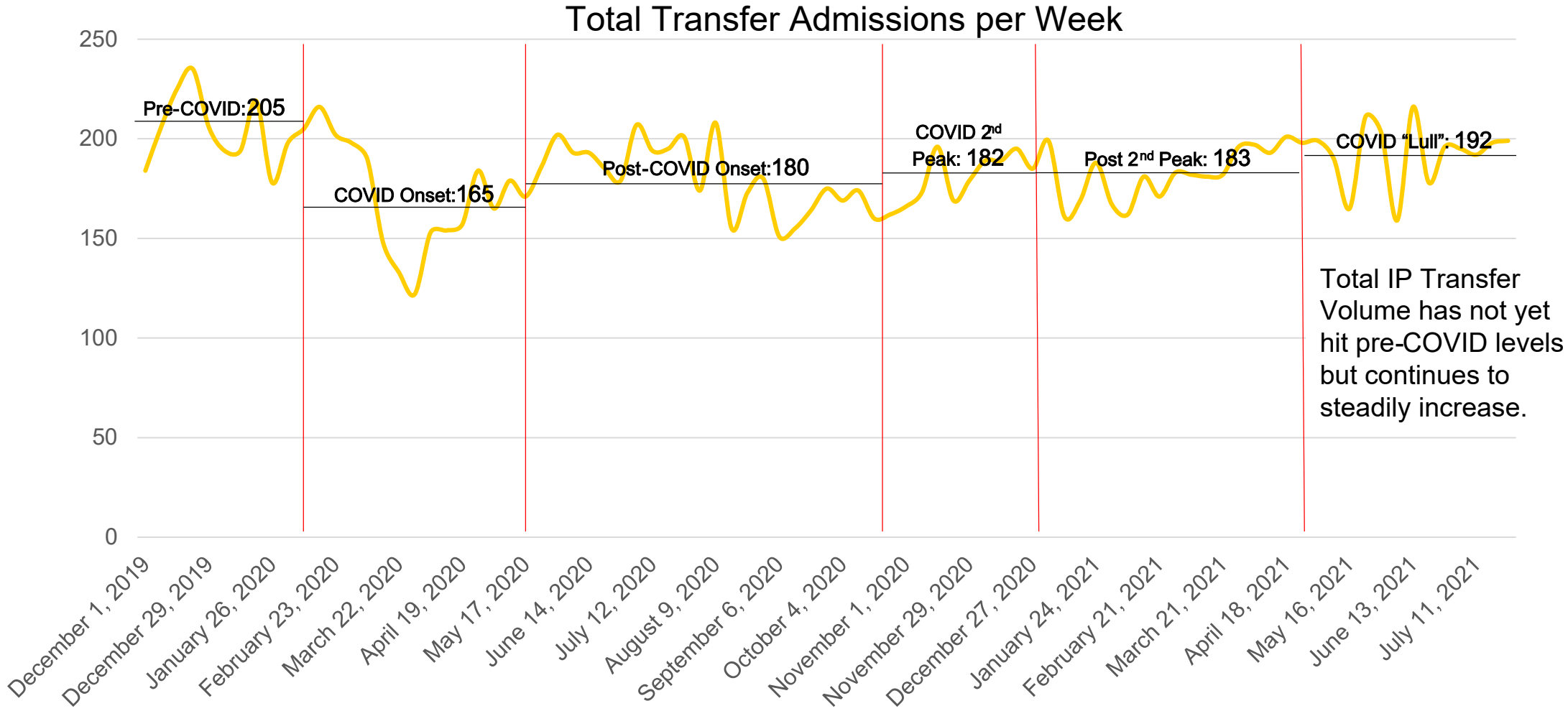
At-the-ready Plans

- Open additional Influenza-like Illness (ILI) Clinics in anticipation of increased volumes of COVID testing.
- Develop contingency plans to modify our clinical operations for potential inpatient surge of COVID+ patients
- Developing plan for distribution of COVID-19 booster vaccines for healthcare workers if approved by FDA

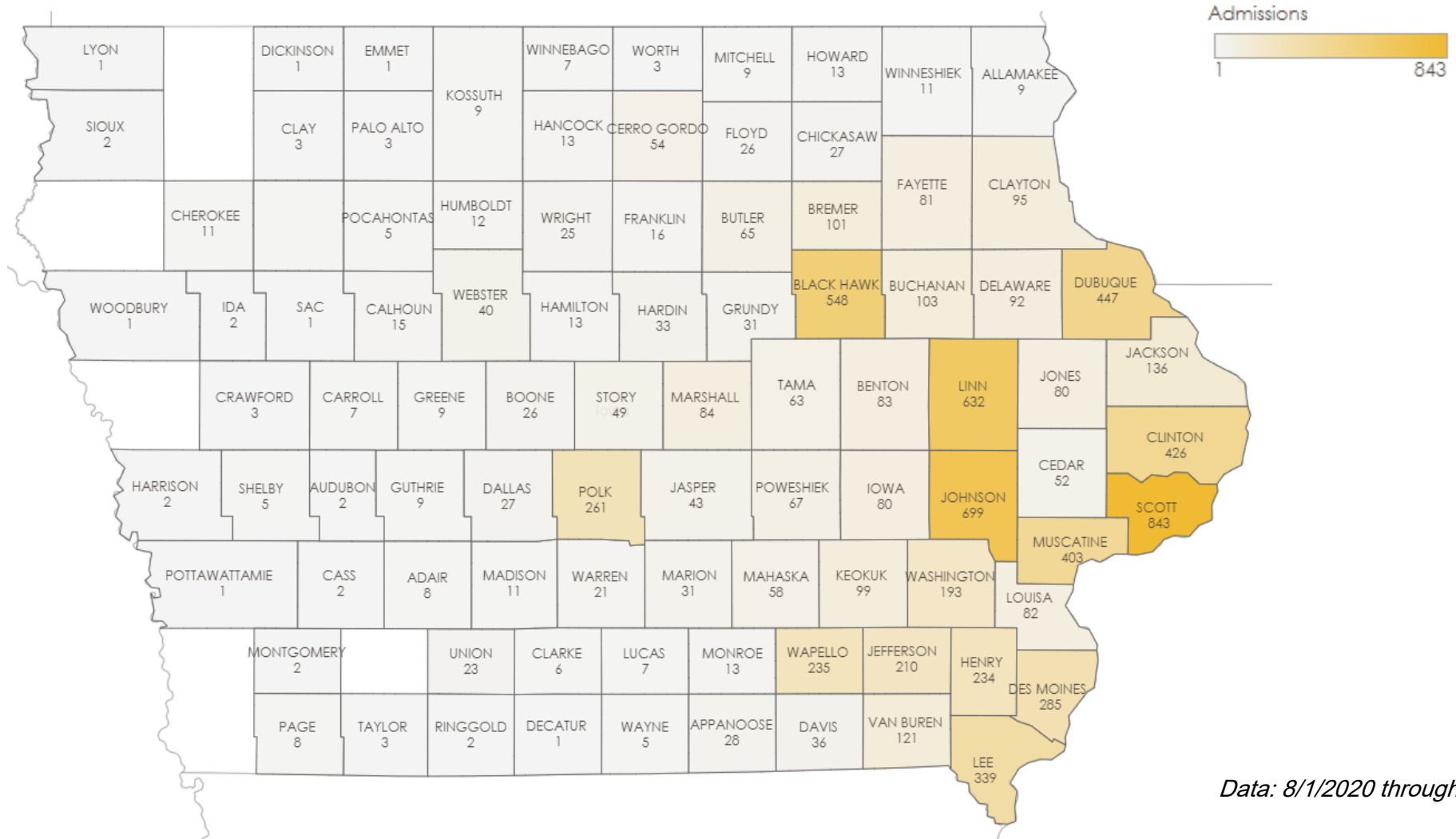
UIHC Remains a Strong Referral Center

- UIHC has seen most admit and occupancy indicators rebound to or near pre-COVID levels
- Inpatient transfer volumes are at 97% of pre-COVID levels though the acuity of such transfers has increased 6%
- Similarly, ED to UIHC ED transfer occupancy is also up 4%
- Direct admits (non-transfers, from external as well as internal ~35%) are at 90% of pre-COVID levels
 - Likely a result of reduced clinical workloads of external and internal providers
- Occupancy from patients who access our ED are back to pre-COVID levels but are up 11% compared to pre-COVID baseline over the last 30 days

UIHC Inpatient Transfer Volumes

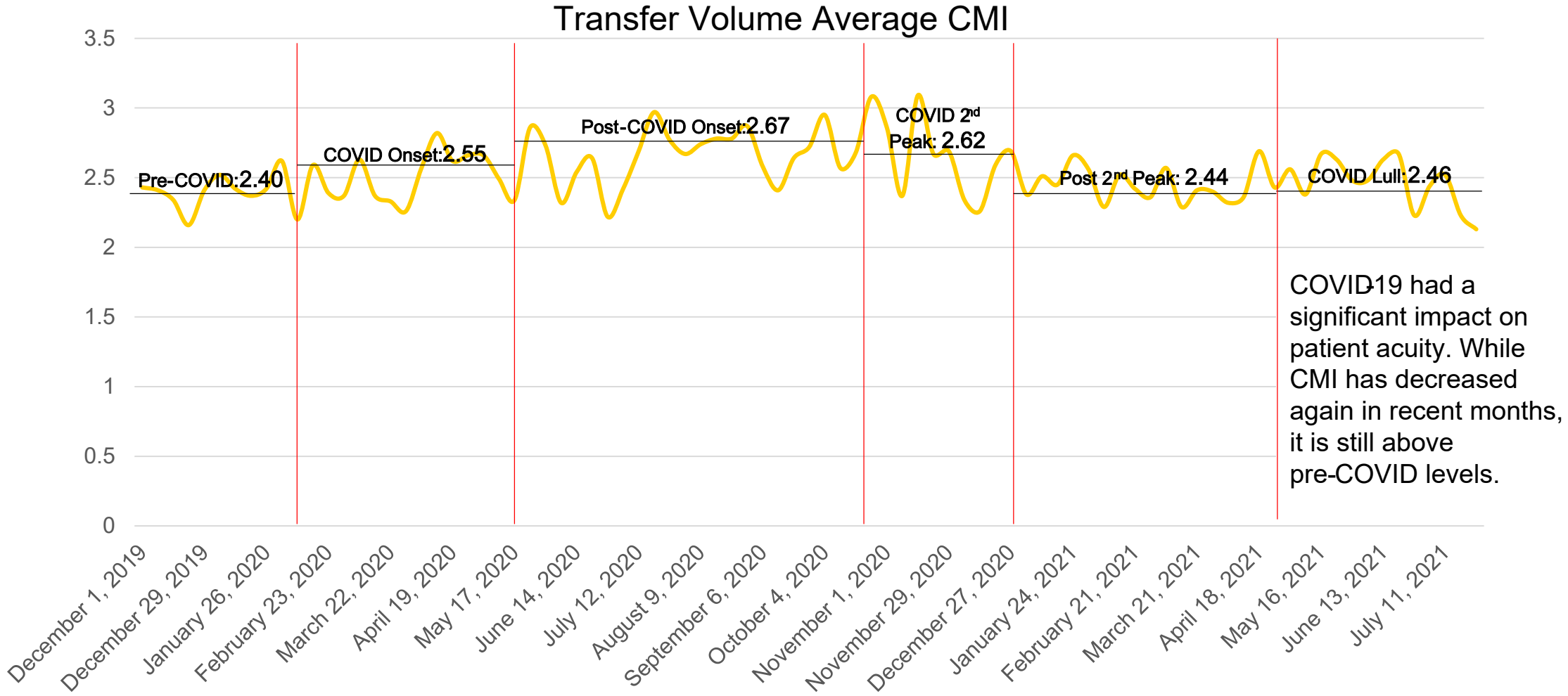


Patient Care Transfers to UIHC Continues to be Strong Across Iowa Counties

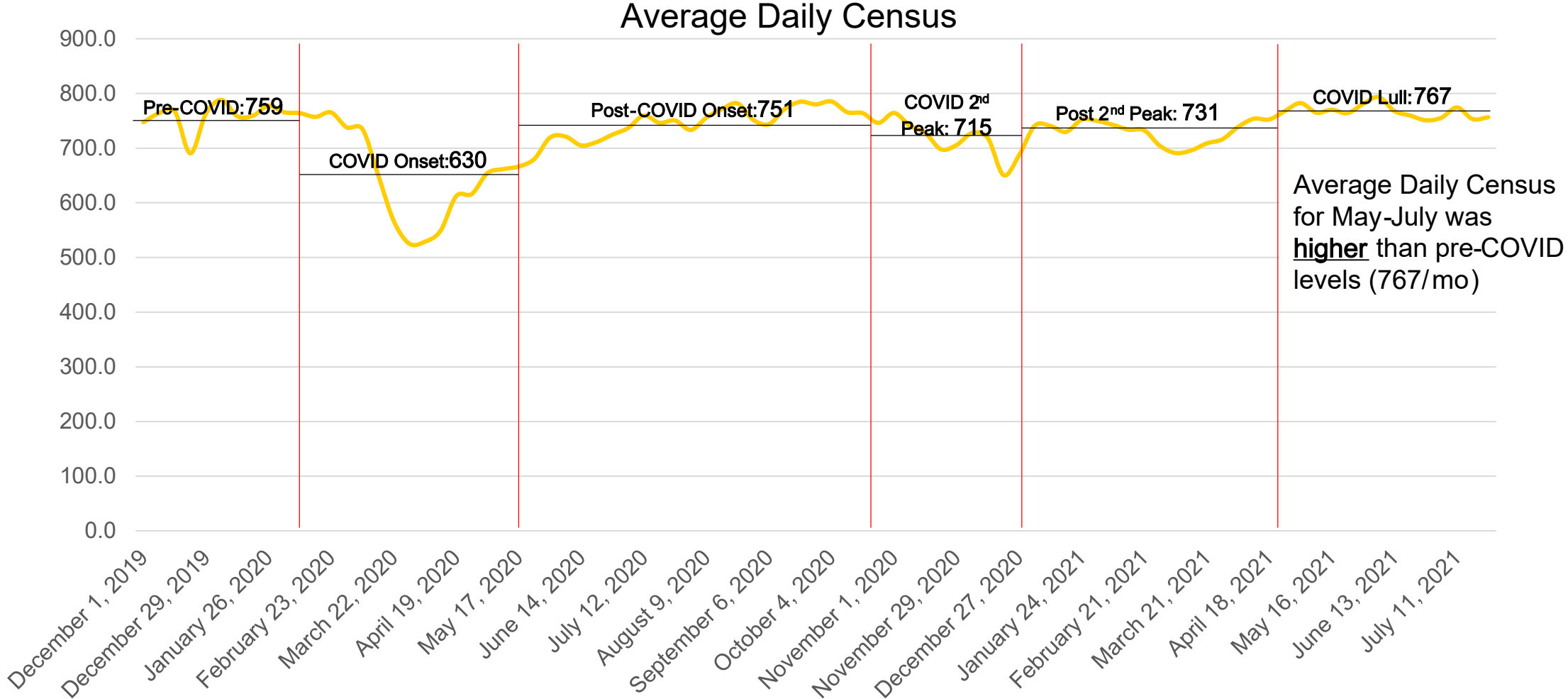


Data: 8/1/2020 through 7/31/2021

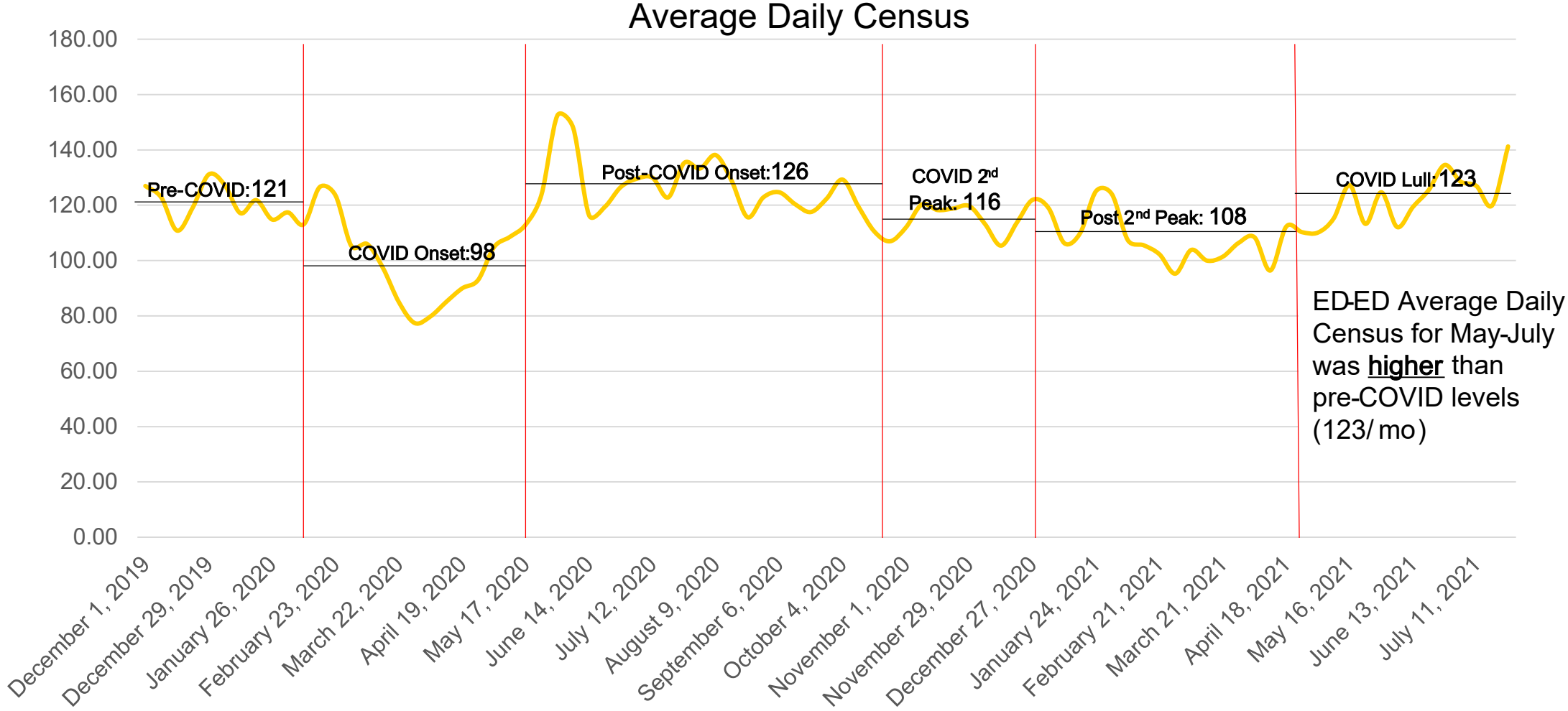
UIHC Average Case Mix Index (CMI) for Inpatient Transfers



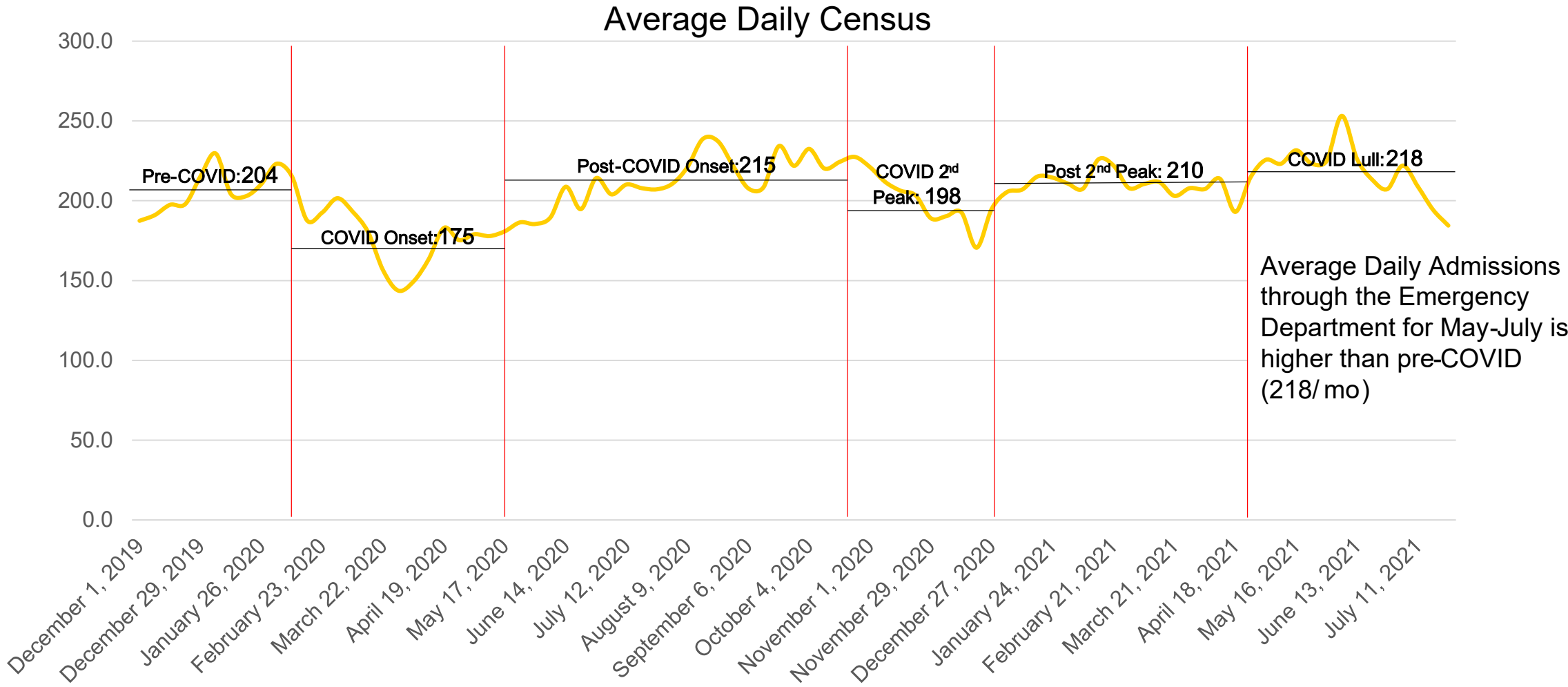
UIHC Continues to be Challenged with High Inpatient Census



UIHC Emergency Department Transfers Remain High and are Increasing



UIHC Admissions through the Emergency Department Higher than pre-COVID



Fortifying UIHC for the Next Phase of the Pandemic

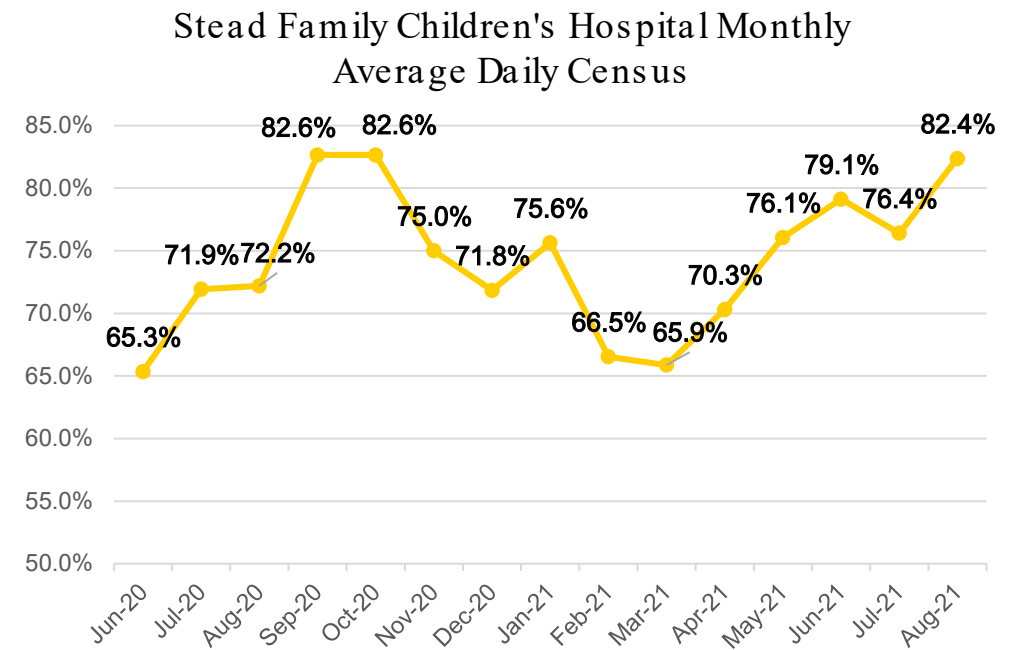
- Our space capacity issues pre-date the pandemic, were made worse during the significant COVID peaks, and have now stabilized at levels higher than preCOVID.
- We had 4 months of the worst Left Without Being Seen Rate in our Emergency Department because of space constraints and patients boarding in our ER while waiting for an inpatient bed to become available.
- We are working to manage the increasing volumes of behavioral health patients that are in distress and need care.
- We are working with hospitals across the state to improve the transfer process, but many remain dissatisfied with our capacity constraints.
- Efficiencies have allowed UIHC to support demand in patient care, including transfers and complex care, but increasingly patients are having to wait longer.

Stead Family Children's Hospital Census

Delayed RSV Season + Potential COVID Surge for Kids = High Census

- In “normal” years, children’s hospital census peaks in the fall and winter months, attributed to flu and RSV prevalence
- 2020 was one of the lowest flu seasons in history generally
- 2020 was also one of the lowest RSV seasons in recent history for SFCH
- Resurgence of flu, RSV and anticipated COVID impact will have capacity and operational challenges for SFCH

Average Daily Census in June 2021 neared peak Census in Sept-Oct 2020



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Thank you

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