

AGENDA



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

November 2, 2005
2:30 p.m.
Iowa City, Iowa

- | | | |
|-----------|--|--|
| (5 Min.) | I. Introductory Comments | David J. Skorton; President, The University of Iowa |
| (10 Min.) | II. A. Director's Report | Donna Katen-Bahensky, Director and Chief Executive Officer |
| (30 Min.) | B. Operating and Financial Performance Report FY2005, FY2005 Scorecard, Operating and Financial Performance Report YTD FY2006 Through August | Donna Katen-Bahensky |
| (10 Min.) | C. IowaCare Update | Donna Katen-Bahensky |
| (15 Min.) | D. Purchased Services Agreement | Donna Katen-Bahensky
Jean E. Robillard, M.D.; Dean of the University of Iowa Roy J. and Lucille A. Carver College of Medicine |

Director's Report

Donna Katen-Bahensky
Director and Chief Executive Officer

Director's Report

- I. Old Business
 - a. Revised Draft of Trustees' Annual Work Plan
- II. Update on Lean Sigma Activity
- III. KHAK Radiothon Results
- IV. Trauma Center Site Visit
- V. Supply Chain Improvements for FY 2005
- VI. Lions Club Donor Memorial and Healing Garden
- VII. Hope Lodge
- VIII. Volunteer Report
- IX. Smoke-Free Policy

Revised Draft of Trustees' Annual Work Plan

February 1-2, 2006 Des Moines	March 22-23, 2006 Des Moines	May 3-4, 2006 Lakeside Laboratory	June 21-22, 2006 SUI
<ol style="list-style-type: none"> 1. Director's Report 2. Second Quarter FY 2006 Operating and Financial Performance Report, Including Institutional Scorecard 3. Auditor's Report for FY2005 4. Update on IowaCare 5. UIHC's Emergency Medicine Program and Trauma Care – Drs. Eric Dickson and Dionne Skeete 	<ol style="list-style-type: none"> 1. Director's Report 2. Operating and Financial Performance Report Through January, 2006 3. Update on IowaCare 4. FY 2007 Environmental Assessment and Budget Assumptions 5. Department of Otolaryngology– Dr. Bruce Gantz 	<ol style="list-style-type: none"> 1. Director's Report 2. Third Quarter FY 2006 Operating and Financial Performance Report, Including Institutional Scorecard 3. Preliminary FY 2007 Budget and Proposed Rate Increase 4. Investment in Recruitment of Clinical Leadership 5. Information Technology Strategies and Applications – Mr. Lee Carmen and Dr. Dan Fick 6. Update on IowaCare 	<ol style="list-style-type: none"> 1. Director's Report 2. Operating and Financial Performance Report Through April, 2006 3. Final FY 2007 Budget and Rate Increase Approval 4. State of Cardiovascular and Thoracic Surgery in Iowa – Dr. Mark Iannettoni 5. Update on IowaCare

Operating and Financial Performance

Fiscal Year 2005

Five-Year Summary of Operations

	2000-01	2001-02	2002-03	2003-2004	2004-2005 ¹
Acute Admissions ²	23,286	23,388	24,104	25,384	25,063
Length of Stay ²	7.51	7.59	7.24	6.94	6.99
Surgical Cases	18,986	19,814	20,269	20,644	20,820
Clinic Visits	592,752	615,242	631,443	669,045	668,456
Market Share	6.1%	6.2%	6.7%	7.0%	7.0%
Net Patient Revenue ³	\$506.9M	\$525.2M	\$547.2M	\$591.7M	\$625.8M
Operating Margin	3.5%	2.0%	1.4%	1.6%	3.0%
Case Mix Index ⁴					
All Acute Inpatients	1.5712	1.5866	1.6272	1.5950	1.6384
Medicare Inpatients	1.7778	1.7602	1.8182	1.7822	1.8734

1 – Unaudited

2 – All years presented exclude newborn nursery utilization

3 – Net Patient Revenue includes State Indigent Care Appropriation

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

Comparative Financial Results

Preliminary Fiscal Year 2005

	Actual ¹	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
NET REVENUES:							
Total Pay Patient Rev.	\$597,046	\$592,658	\$562,735	\$4,389	0.7%	\$34,312	6.1%
Appropriations	40,691	40,691	40,795	-	0.0%	(104)	-0.3%
Other Operating Rev.	38,898	40,085	37,336	(1,187)	-3.0%	1,561	4.2%
Total	\$676,635	\$673,433	\$640,866	\$3,202	0.5%	\$35,769	5.6%

EXPENSES:							
Salaries and Wages	\$350,886	\$358,886	\$338,299	(\$7,999)	-2.2%	\$12,587	3.7%
General Expenses	253,812	243,233	251,068	10,579	4.3%	2,744	1.1%
Depreciation	51,271	50,661	41,180	609	1.2%	10,091	24.5%
Interest Expense	159	100	120	59	59.2%	39	32.7%
Total	\$656,128	\$652,880	\$630,667	\$3,248	0.5%	\$25,461	4.0%

Operating Margin	\$20,507	\$20,554	\$10,199	(\$46)	-0.2%	\$10,308	101.1%
Operating Margin %	3.0%	3.0%	1.6%	0.0%	0.0%	1.4%	87.5%

Scorecard Fiscal Year 2005

University of Iowa Hospitals and Clinics

INSTITUTIONAL SCORECARD



WORKPLACE OF CHOICE			
	FY 2004	FY2005	Benchmark
Employee voluntary (avoidable) turnover rate*	4.8%	5.8%	5.0%
Employee vacancy rate	7.4%	2.0%	7.0%
RN voluntary (avoidable) turnover rate*	5.1%	5.9%	4.5%
RN vacancy rate	4.9%	2.0%	5.0%
Employee commitment	3.21	3.18	3.50
On-time completed appraisals	98.8%	97.9%	100%

* Includes transfers within the university

University of Iowa Hospitals and Clinics INSTITUTIONAL SCORECARD



PURSUING EXCELLENCE			
	FY 2004	FY 2005	Benchmark
Patient reported overall hospital rating	86.1%	86.7%	86.7%
Patient likelihood to recommend to others	91.6%	91.6%	90.7%
OP-Appt scheduled < 14 days or as desired	78.7%	76.5%	80.0%
Medication safety index	96.0%	96.0%	100%
JCAHO core measures: Pneumonia care	(a)	73.3%*	75.6%
Observed/expected mortality ratio	0.93	0.77*	1.00

* = data availability lags

(a) New metric

University of Iowa Hospitals and Clinics

INSTITUTIONAL SCORECARD



IMPROVING EFFICIENCIES			
	FY 2004	FY 2005	Benchmark
Observed/expected LOS ratio	0.98	1.18	1.00
Paid hours per adjusted discharge*	176.4	168.9	135.5
Cost per adjusted discharge*	\$9,105	\$8,981	\$8,902
Payroll cost per adjusted discharge*	\$4,767	\$4,790	\$4,164
Supply cost per adjusted discharge*	\$1,969	\$1,853	\$1,991
Medication cost per adjusted discharge*	\$501	\$499	\$532

* = Case mix index adjusted

University of Iowa Hospitals and Clinics

INSTITUTIONAL SCORECARD



FINANCIAL STRENGTH			
	FY 2004	FY 2005	Benchmark
Market share (inpatient)	6.7%	7.0%*	7.0%
Operating margin	1.6%	3.03%	3.1%
Acute admissions (excludes newborns)	25,384	25,063	25,209
Clinic visits (main campus)	669,045	668,456	679,753
Major surgical procedures	20,644	20,820	20,582
Net days in accounts receivable	72	57	65
Bad debt as % of net patient revenue	8.83%	9.61%	6.30%
Earnings before interest, taxes, depreciation, and amortization	\$51,572,935	\$71,937,422	\$64,900,000

* = data available semi-annually

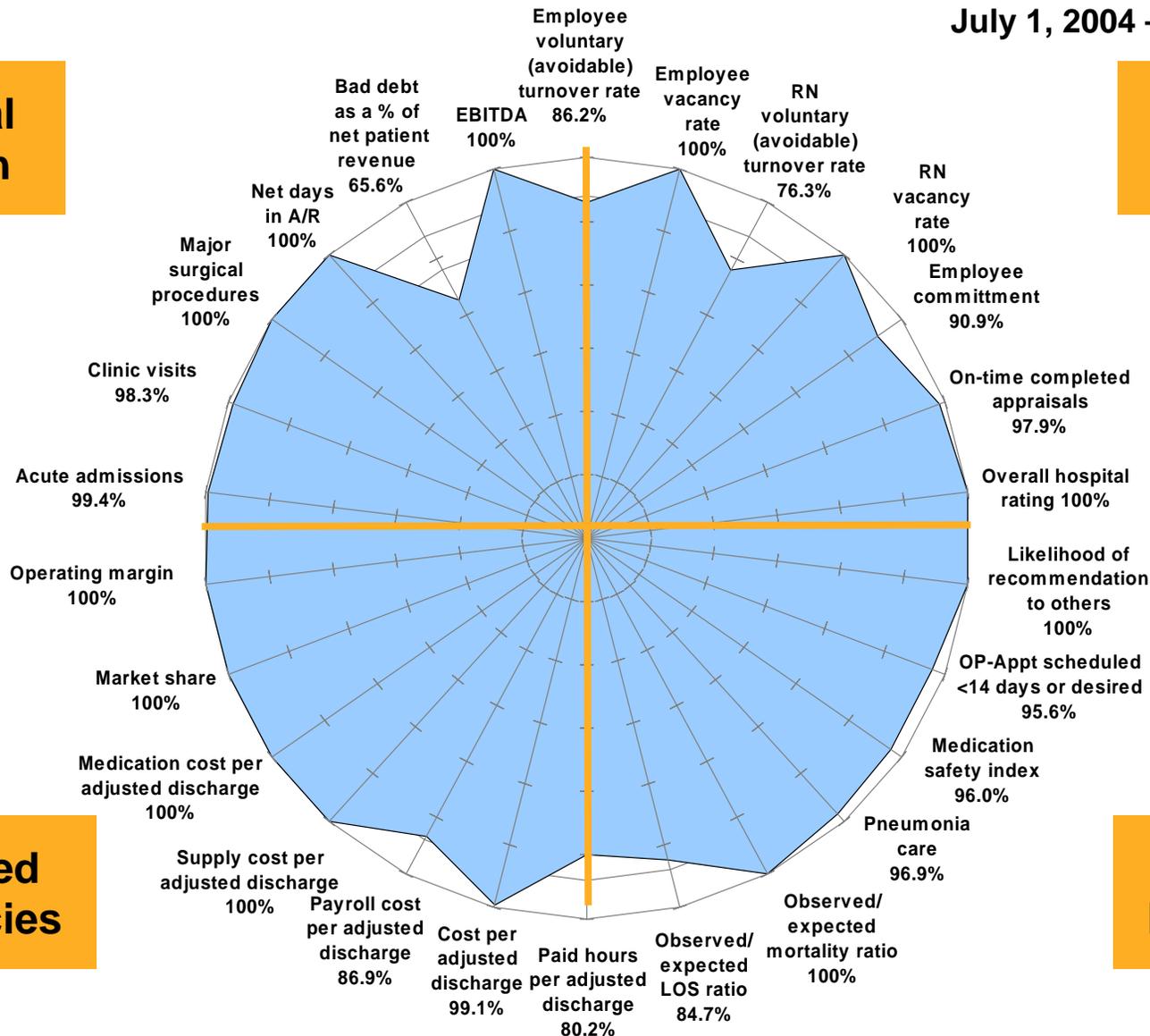
University of Iowa Hospitals and Clinics INSTITUTIONAL SCORECARD



July 1, 2004 – June 30, 2005

Financial Strength

Workplace Of Choice



Improved Efficiencies

Pursuing Excellence

UNIVERSITY OF IOWA HOSPITALS AND CLINICS
 FY 2005 Institutional Scorecard Definitions

WORKPLACE OF CHOICE

<u>Indicator</u>	<u>Source/Description</u>	<u>Benchmark</u>
On-time appraisals	Human Resources - % evaluations completed less than 30 days after due date.	JCAHO Target
Employee voluntary (avoidable) turnover rate	Human Resources - Total number of voluntary terms/total number employees.	Institutional target
Employee vacancy rate	Human Resources - Total number of actively recruited positions/total number of allocated positions.	Institutional target
RN voluntary (avoidable) turnover rate	Human Resources - Total number of voluntary RN terms/total number of RNs.	Institutional target
RN vacancy rate	Human Resources - Number of actively recruited RN positions over the total number of allocated RN positions.	Institutional target
Employee commitment	Human Resources - Employee survey 1-4, 1=Strongly Dissatisfied, 2=Dissatisfied, 3=Satisfied, 4=Strongly Satisfied	Institutional target

PURSUING EXCELLENCE

<u>Indicator</u>	<u>Source/Description</u>	<u>Benchmark</u>
Patient reported overall hospital rating	CORM - Press-Ganey Patient Satisfaction Survey % of inpatient adults responding good or very good.	UHC peer group median
Patient likelihood to recommend to others	CORM - Press-Ganey Patient Satisfaction Survey % of inpatient adults responding good or very good.	UHC peer group median
Appt sched < 14 days or desired	CORM - Patient Satisfaction Survey % patients responding appointment scheduled times < 14 days or as desired.	Institutional target
Medication safety index	Pharmacy - Index of various medication safety measures based on the nine categories of the ASHP Best Practice Self-Assessment Tool	Institutional target
JCAHO core measures: Pneumonia care	CORM - Number of patients who received JCAHO pneumonia process of care measures/number of patients eligible for JCAHO pneumonia process of care measures.	Institutional target
Observed/expected mortality ratio	CORM - Observed mortality rate for 100% acute discharges/UHC risk-adjusted expected mortality rate.	UHC expected

UNIVERSITY OF IOWA HOSPITALS AND CLINICS
 FY 2005 Institutional Scorecard Definitions

IMPROVING EFFICIENCIES

<u>Indicator</u>	<u>Source/Description</u>	<u>Benchmark</u>
Observed/expected LOS ratio	CORM - UIHC observed LOS/UHC peer group median observed LOS. Excludes observation, recovery, and custodial days and newborns.	UHC peer group median
Paid hours per adjusted discharge	FAS - Total paid hours + contracted hours worked / ((gross patient charges / total gross inpatient charges) * (total patient discharges excluding newborns) * case mix index).	ACTION 50th percentile
Cost per adjusted discharge	FAS - Operating costs / ((gross patient charges / total gross inpatient charges) * (total patient discharges excluding newborns) * case mix index).	ACTION 50th percentile
Payroll cost per adj discharge	FAS - Payroll costs / ((gross patient charges / total gross inpatient charges) * (total patient discharges excluding newborns) * case mix index).	ACTION 50th percentile
Supply cost per adjusted discharge	FAS - Supply costs / ((gross patient charges / total gross inpatient charges) * (total patient discharges excluding newborns) * case mix index).	ACTION 50th percentile
Medication cost per adjusted discharge	Pharmacy - Pharmacy medication costs / ((total gross patient charges / gross inpatient charges) * (total patient discharges excluding newborns) * case mix index).	Current Budget

FINANCIAL STRENGTH

<u>Indicator</u>	<u>Source/Description</u>	<u>Benchmark</u>
Market share (inpatient)	JOMC - Market share of Acute inpatient discharges excluding MDC 19 (mental disease), 20 (alcohol/drug) and 25 (HIV). Source Iowa Hosp Association.	Institutional target
Operating margin	FAS - Operating income divided by net operating revenue.	Current Budget
Acute admissions	FAS - Number of acute adult & pediatric patients admitted. Excludes normal newborns.	Current Budget
Clinic visits (UIHC only)	FAS - Total number of UIHC clinic visits. Excludes Outreach and CMS.	Current Budget
Major surgical procedures	FAS - Total number of surgical procedures in Main OR, ASC and TURs.	Current Budget
Net days in A/R	FAS - Net patient accounts receivable / (net patient charges / days in period).	Institutional target
Bad debt as a % of net revenue	FAS - Bad debt expense / net patient revenue.	Moody's Aa median
EBITDA	FAS - Revenue - expenses (excluding interest, tax, depreciation, and amortization).	Current Budget

Operating and Financial Performance

2006 Fiscal Year

July - August, 2005

Volume Indicators

July 2005 through August 2005

	Actual	Budget	Prior Year	Variance To Budget	% Variance Budget	Variance to Prior Year	% Variance PY
Operating Review							
Admissions	4,341	4,458	4,377	(117)	-2.6% ●	(36)	-0.8% ○
Patient Days	29,407	29,647	30,557	(240)	-0.8% ○	(1,150)	-3.9% ●
Length of Stay	6.77	6.65	6.98	0.12	1.9% ○	(0.21)	-3.1% ●
Average Daily Census	474.3	478.18	492.85	(3.87)	-0.8% ○	(18.55)	-3.9% ○
Surgeries - Inpatient	1,759	1,797	1,780	(38)	-2.1% ○	(21)	-1.2% ○
Surgeries - Outpatient	1,855	1,934	1,872	(79)	-4.1% ●	(17)	-0.9% ○
Emergency Treatment Center Visits	5,778	5,372	5,293	406	7.5% ●	485	8.4% ●
Outpatient Clinic Visits	110,798	113,488	109,953	(2,690)	-2.4% ○	845	0.8% ○

 Greater than 2.5% Favorable	 Neutral	 Greater than 2.5% Unfavorable
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Comparative Financial Results

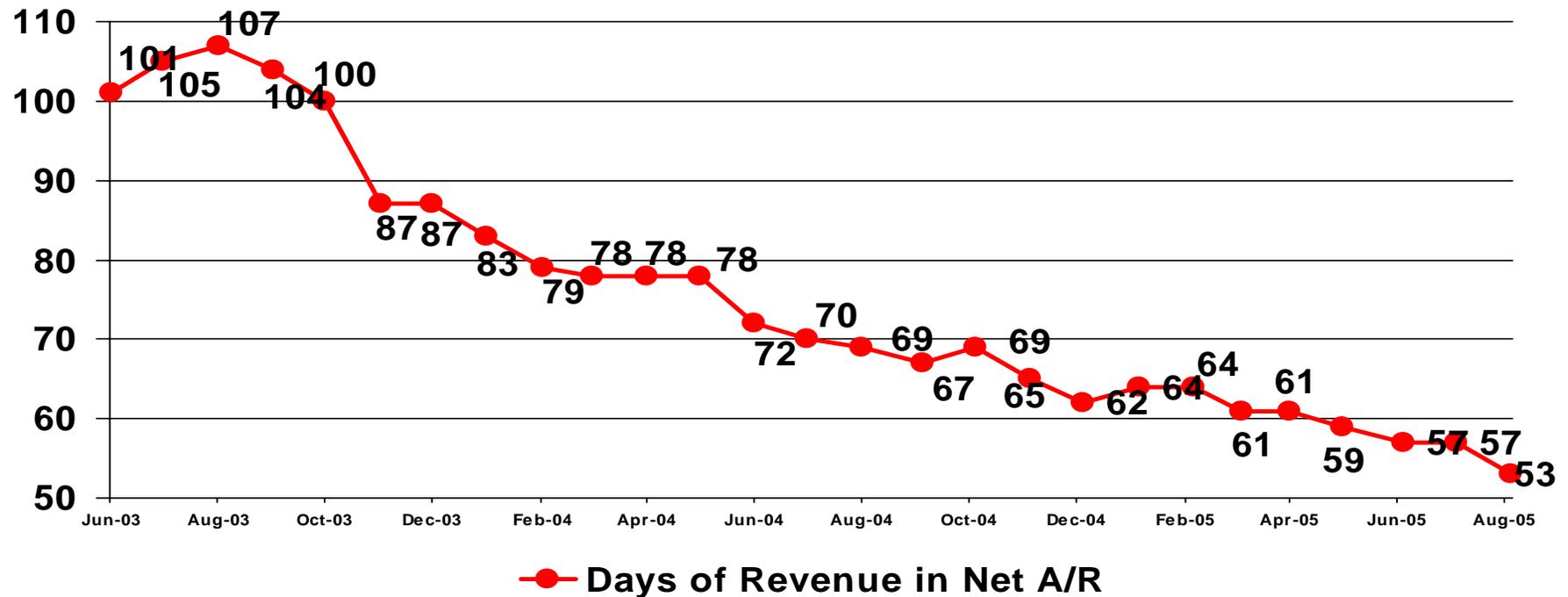
July through August FY06

	Actual	Budget	Prior Year	Variance to Budget	% Variance to Budget	Variance to Prior Year	% Variance to Prior Year
NET REVENUES:							
Total Pay Patient Rev.	\$108,665	\$114,767	\$99,055	(\$6,102)	-5.3%	\$9,610	9.7%
Appropriations	2,234	2,234	6,782	0	0.0%	(4,547)	-67.1%
Other Operating Rev.	7,092	6,545	6,230	547	8.4%	862	13.8%
Total	\$117,991	\$123,546	\$112,066	(\$5,555)	-4.5%	\$5,925	5.3%
EXPENSES:							
Salaries and Wages	\$59,915	\$63,450	\$57,833	(\$3,535)	-5.6%	\$2,082	3.65
General Expenses	45,046	47,607	44,618	(2,561)	-5.4%	428	1.0%
Depreciation	8,807	8,120	7,466	687	8.5%	1,340	18.0%
Interest Expense	-	-	-	-	0.0%	-	0.0%
Total	\$113,767	\$119,177	\$109,917	(\$5,409)	-4.5%	\$3,850	3.5%
Operating Margin	\$4,224	\$4,369	\$2,149	(\$146)	-3.3%	\$2,075	96.5%
Operating Margin %	3.6%	3.5%	1.9%	0.1%	2.8%	1.7%	89.5%

NOTE: all dollar amounts are in thousands

University of Iowa Hospitals and Clinics Comparative Accounts Receivable as of August 2005

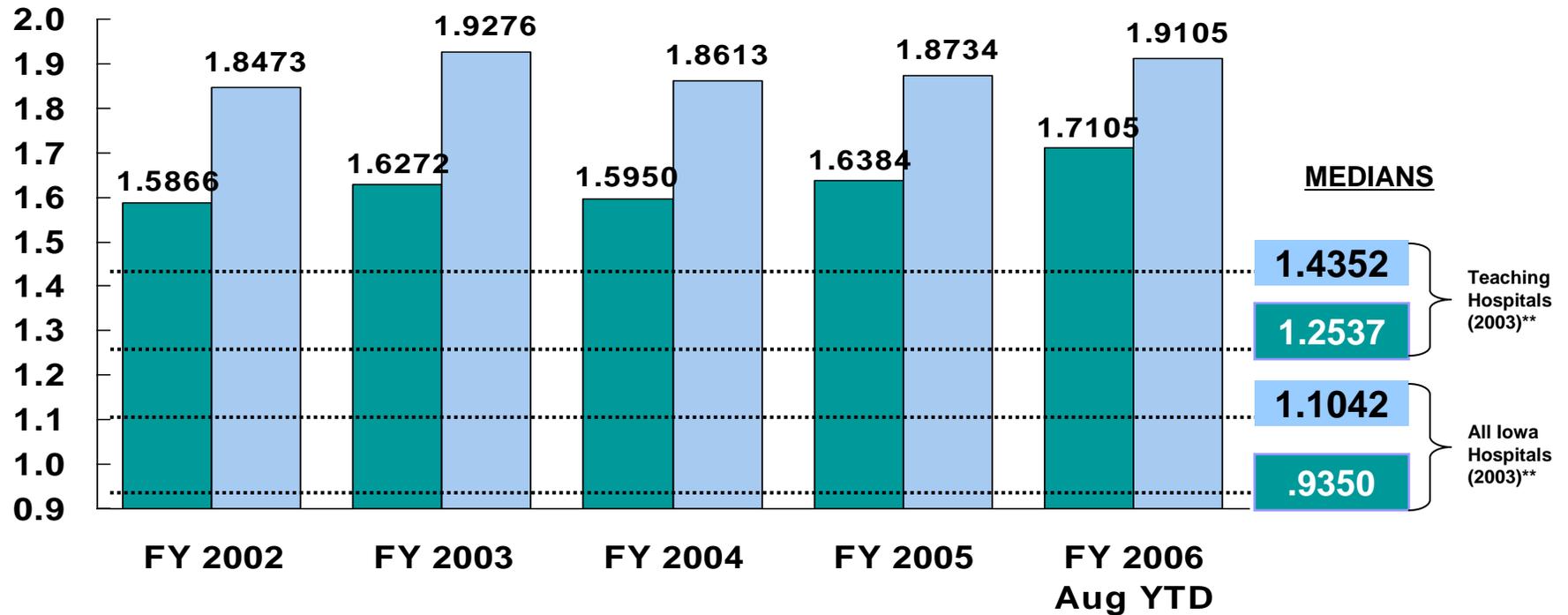
	June 30, 2004	June 30, 2005	August 31, 2005	Median Moody's Aa Rating
Net Accounts Receivable	\$110,344,338	\$93,964,049	\$88,225,103	na
Net Days in AR	72	57	53	56



UNIVERSITY OF IOWA HOSPITALS AND CLINICS

CASE MIX INDEX - ALL ACUTE INPATIENTS*

CASE MIX INDEX - MEDICARE INPATIENTS



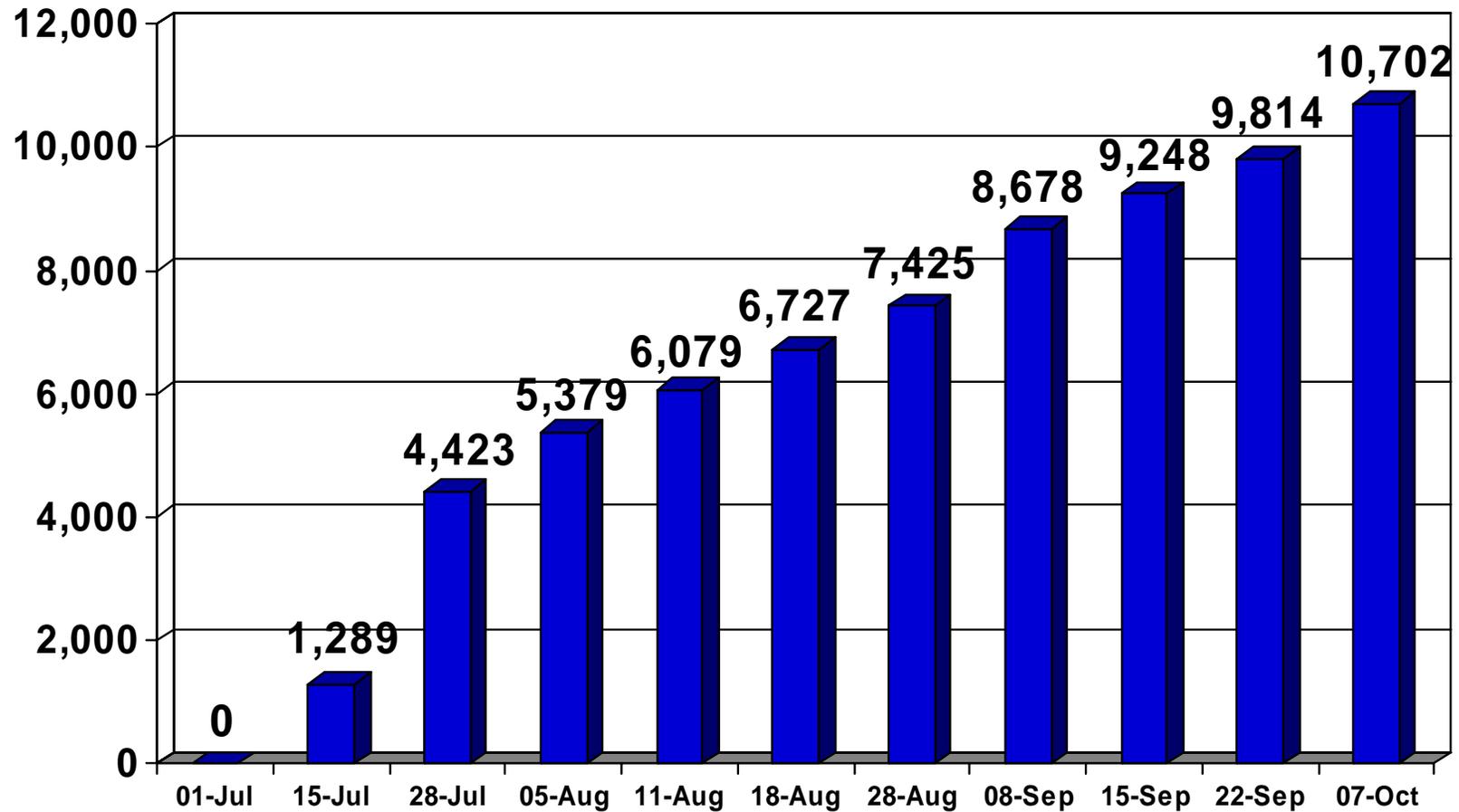
* THE CASE MIX INDEX REFLECTS THE OVERALL CLINICAL COMPLEXITY OF THE PATIENT CENSUS OF A GIVEN HOSPITAL BY ESTIMATING THE LEVEL OF RESOURCE CONSUMPTION OF THE AVERAGE PATIENT RELATIVE TO THAT OF ALL HOSPITALS NATIONALLY WHICH HAVE A CASE MIX INDEX OF 1.00.

* ALL ACUTE CASE MIX INDEX VALUES SHOWN ABOVE INCLUDE NEWBORN NURSERY

** ALMANAC OF HOSPITAL FINANCIAL OPERATING INDICATORS, 2005 CHIPS
A TEACHING HOSPITAL IS ONE AT WHICH MEDICAL GRADUATES TRAIN AS RESIDENTS.

IowaCare Update

Cumulative Approved IowaCare & Chronic Care Applications



Data from the Iowa Department of Human Services.

UIHC Experience with IowaCare and Chronic Care Patients through October 7, 2005

- 10,702 people are enrolled statewide in IowaCare or Chronic Care.
 - 65% of people enrolled in IowaCare or Chronic Care have not yet scheduled any appointments at the UIHC (n=6,957).
 - 35% of people enrolled in IowaCare or Chronic Care have had or currently are scheduled for an appointment at the UIHC (n=3,745).
- 7,677 visits for IowaCare or Chronic Care patients have already occurred at the UIHC.
- 45% of the people who have had or currently are scheduled for an appointment at the UIHC previously had a State Paper or an Ortho Paper (n=1,702).

UIHC Experience with IowaCare and Chronic Care Patients through October 7, 2005 (cont.)

- The value of donated physician services by the Carver College of Medicine for IowaCare and Chronic Care patients is \$7.6 M.
- The value of hospital services at the UIHC for IowaCare and Chronic Care patients is \$20.5 M (excluding pharmacy charges).
- The estimated Medicaid reimbursement associated with the UIHC services is \$7.4 M (implies 27% of the \$27.3 M appropriation for the UIHC for the entire FY 06 time period has already been expended).

Purchased Services Agreement

University of Iowa Hospitals and Clinics,
Roy J. and Lucille A. Carver College of Medicine,
CCOM Faculty Practice Plan

What are Purchased Services Agreements?

- They document the exchange of services between an academic medical center and the affiliated college of medicine and faculty practice plan.
- They set forth the scope of services to be provided and the basis for determining the transfer of funds between the partners.
- They are in place at virtually every academic medical center in the country.

Characteristics of UI Health Care Purchased Services Agreement

- Consistent with the “Guiding Principles” developed by Director and CEO of UIHC and Dean of CCOM.
- Represents a strong commitment to the growth of the medical center.
- Articulates the scope of services and basis for payments, transfers and incentive arrangements.

Overall Guiding Principles

- Commitment to working collaboratively as partners.
- Assume role as stewards of the long-term viability of each respective organization and the system as a whole.
- Conduct ourselves in ways that continuously improve the performance of the enterprise.
- Recognize that each party contributes unique expertise and strengths to the UI Health Care enterprise.
- Understand that neither entity in the partnership can function optimally without the other.
- Recognize all three of our critical missions - patient care, education and research.

Intra-Enterprise Purchase of Services

The following are the principles that should guide the negotiations and decision-making regarding which services will be purchased from the other partner and the terms of those purchase transactions:

- The focus should be on improving the financial strength and market position of the enterprise and the partners
- Terms of the purchase of services transactions should meet fair market value tests
- The terms must include reasonable and measurable service performance standards that are monitored on a regular basis
- Termination and renewal will be determined on a service by service basis

Enterprise Investment

The leadership must coordinate investments and focus on agreed upon organization priorities. The following principles should guide the partners' negotiations and decision-making regarding investments:

- Organization specific and joint strategic plans will drive the priorities
- The partners will jointly agree on new businesses to be pursued, investments made, expectations for performance and ongoing monitoring
- Existing investments will be reviewed periodically to ensure they are meeting the enterprise's evolving needs
- Coordinate investments committed as a result of new Department Heads and Key faculty leadership
- Coordinate capital investment decisions

Alignment of Incentives Among the Partners

- Any incentive mechanism implemented should enhance over time the financial position of both partners.
- The partners must agree upon the enterprise objectives that require alignment of the incentives.
- The terms of the specific incentive arrangements must be understandable.
- The distribution of incentives must occur as close in time to the performance as possible.
- The partners must identify, agree upon and detail the:
 - Source of the incentive payment
 - Performance that triggers the payment of the incentive
 - Performance time period
 - Methods for monitoring performance
 - Date incentive payments will be made
- The termination and renewal of each incentive agreement will be determined on an incentive-by-incentive, agreement-by-agreement basis in order to allow the partners the flexibility to amend or terminate individual incentive agreements which no longer meet the partners' needs.

Overview of Purchased Services

- Graduate Medical Education
- Compensation and Management Accountability for Clinical Leadership Positions in the Hospital (Medical Directors)
- Psychiatric Hospital, CDD Appropriations
- Hospital-Based Services - Pathology
- Purchase of Tests and Procedures
- Shared Services - Revenue Cycle, Hospital-based Clinics, Transcription and Information Systems
- Alignment of Institutional Incentives

Graduate Medical Education

- UIHC pays the salary for residents and receives some reimbursement from the Medicare program to help offset this cost.
- The College of Medicine clinical faculty are responsible for teaching and supervising the residents during the course of their training. UIHC reimburses CCOM for the cost of these services at the rate of \$16,184 per full-time equivalent resident.
- UIHC does not pay for the salaries of accredited or non-accredited fellows. These costs are borne by CCOM.

Compensation and Management Accountability for Clinical Leadership Positions in the Hospital (Medical Directors)

- The provision of medical leadership requires significant time and effort on the part of the faculty.
- Each medical director position will have a written job description which outlines the expectations and accountabilities for the role.
- The medical directors will have an annual performance evaluation.
- All directorships will be on a consistent review schedule that determines percent effort and compensation.
- The medical directors will report to the Director and CEO of UIHC or her designee.

Psychiatric Hospital, CDD Appropriations

- A portion of the psychiatric appropriation is transferred to the Department of Psychiatry to reimburse the faculty for services provided to patients treated under this program.
- A portion of the CDD appropriation is transferred to the Department of Pediatrics to reimburse the faculty for services provided to patients treated under this program.

Department of Pathology Support

- UIHC Clinical Laboratories operated by the Department of Pathology include Chemistry, Hematopathology, Microbiology, and Support Services.
- Pathology support is provided to reimburse the Department of Pathology for professional services provided in the UIHC Clinical Laboratories.

Purchase of Tests and Procedures

- UIHC performs tests and procedures consistent with uniform billing requirements in Federal and State laws and regulations. To the extent possible, UIHC will perform these services directly.
- When a test or procedure is performed by a clinical department as a service to a UIHC patient, UIHC will reimburse the department on the basis of the full direct cost of providing this service.
- Professional services rendered to house staff and their dependents by the OB department will be paid at the prevailing rate of Iowa's largest managed care plan.

Shared Services - Revenue Cycle, Hospital Based Clinics, Transcription and Information Systems

- UIHC personnel perform revenue cycle services including patient billing and collections for CCOM physicians. CCOM will reimburse UIHC 7.2% of the net cash collections.
- CCOM purchases from UIHC outpatient clinic services provided by UIHC in support of physician services provided to patients covered by non-governmental payors. These services include support staff and general expense costs that are necessary to operate the outpatient clinics.
- UIHC personnel perform transcription services for CCOM physicians. This transfer reimburses UIHC for the cost of providing these services.
- CCOM and UIHC share information systems resources. CCOM is charged on a cost basis for services performed on their behalf.

Alignment of Institutional Incentives

UIHC will seek approval from appropriate governmental agencies for the described incentive programs. The specific provisions of these incentive programs may be changed to achieve governmental approval. Level of payment for each program will be based upon the financial methodology approved by the applicable government agency and the performance during each of the fiscal years.

- **Laboratory Inpatient Utilization Incentive Program** – The Laboratory Inpatient Utilization Incentive Program will be established to help control the cost of laboratory tests performed on UIHC patients.
- **Length of Stay Incentive** – UIHC and CCOM will partner to effectively and efficiently manage inpatient care processes with the goal of achieving an average length of stay comparable to benchmark academic medical centers. Physicians will collaborate with the hospital in developing clinical pathways to ensure that the highest quality of care is provided to all UIHC patients.
- **Transfer to CCOM for Supply and Drug Cost Reduction** – A joint UIHC / FPP committee will identify specific supply or pharmaceutical cost items or categories that represent opportunities for improvement (cost savings). A portion of the cost savings will be shared with CCOM.
- **Ambulatory Care** – The President of the University of Iowa, in consultation with UIHC and the FPP, will hire a consultant to assist in identifying an optimal management and financial structure for the ambulatory care service. Once the new structure is defined, an ambulatory incentive program will be considered.

AGENDA



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

November 3, 2005
8:15 a.m.- 8:35 a.m.
Iowa City, Iowa

- | | | |
|-----------|------------------------------------|---|
| (5 Min.) | I. Introductory Comments | David J. Skorton; President, The University of Iowa |
| (20 Min.) | A. Orthopaedics and Rehabilitation | Joseph Buckwalter, M.D.; Professor and Head, Department of Orthopaedics and Rehabilitation; Arthur Steindler Chair of Orthopaedic Surgery, Division of Orthopaedic Oncology |

Orthopaedics and Rehabilitation

Joseph Buckwalter, M.D.

Professor and Head, Orthopaedics and Rehabilitation

Preliminary Topic List

1. The role of the department in the development and growth of the UIHC and CCOM
2. The unique clinical services provided to the state and nation
3. The educational and research programs
4. The need for Orthopaedic surgeons in Iowa – our state is 50th, lowest of any specialty, in number of Orthopaedic Surgeons per capita – and what we are doing to meet this need
5. The challenges facing the department – low faculty salaries, declining reimbursement for services and implants, others
6. Opportunities for the future – clinical service, translational research

Attachments

**Projected Purchased Services Transactions for FY 2007 Between
University of Iowa Hospitals and Clinics,
Carver College of Medicine and the Faculty Practice Plan (FPP)**

A. Graduate Medical Education (GME)

This transfer is for the teaching and supervision of the UIHC graduate medical education programs provided by the CCOM clinical faculty. The UIHC weighted resident cap is 338.25 FTE and is based on the Medicare program limitation for recognized residents. The FTE reimbursement is inflated annually based on the Medicare Update Factor issued by the Center for Medicare and Medicaid Services.

B. Transfers from UIHC to CCOM for Purchased Services

Medical Directors – Faculty members of the College of Medicine are appointed to serve specific roles required for the effective operations of the academic medical center. These position requirements have specific job descriptions, performance expectations and accountabilities.

Epidemiology Faculty – This transfer is for support of faculty in the CCOM Department of Internal Medicine for medical direction of the UIHC's epidemiology functions.

Certified Registered Nurse Anesthetists – This transfer provides support for the CRNAs hired by the CCOM Department of Anesthesia. This also includes support for the CRNA training program with an annual escalation based on the CPI.

Psychiatry Faculty – This transfer compensates faculty in the CCOM Department of Psychiatry for professional services rendered to patients served at the UIHC under a state appropriation.

Center for Disabilities and Development Pediatric Faculty – This transfer compensates faculty in the CCOM Department of Pediatrics for professional services rendered to patients served at the CDD under a state appropriation. The amount is based on a percentage of effort by the faculty rendering the services.

House Staff Medical Care (Obstetrics and Gynecology) – The CCOM waives professional fees when providing services to House Staff residents and their dependents as part of the self-funded health benefit to this group. It is recognized that House Staff utilize a disproportionate share of obstetrical care compared to other clinical departments. This transfer partially compensates the Department of Obstetrics and Gynecology for treating House Staff and their dependents.

Pain Clinic Technical Staff – This transfers technical fees received by the UIHC to reimburse the CCOM Department of Anesthesia for salaries paid to technicians

Pathology Faculty Support – This transfer is to reimburse the Department of Pathology for Pathology-specific medical directors and professional services provided in the management of UIHC Clinical Laboratories.

Internal Medicine Technical Staff and Laboratory Services – This transfer includes support for Cardiac Imaging, Electrocardiography, Computer-assisted Electrocardiograms, Allergy-Immunology Lab, Special Hematology, Endocrinology and Complement Laboratory. The amount transferred reflects the costs incurred to provide the tests for which the UIHC receives third party technical cost reimbursement.

Neurology Technical Staff – Neuropsychological services for which the hospital bills, but CCOM incurs non-physician salary, wage and supply expenses.

Ophthalmology Technical Staff – Ophthalmology services for which the hospital bills the technical fee but the CCOM incurs non-physician salary, wage and supply expenses. Included are services for Non-Automated Perimetry, Orthoptics Laboratory, Neuro-pupillography Lab, Ocular Photography Lab, Electro-retinography, Ocular Pathology and Echography.

Pediatrics Technical Staff – Clinical Psychology services and Cytogenetics Lab testing and Pedodontics Prostheses are billed by the UIHC, but the CCOM incurs non-physician salary, wage and supply expenses.

Obstetrics and Gynecology Technical Staff – The technical component of Sonography services are billed by the UIHC, but the CCOM Department of Obstetrics and Gynecology incurs non-physician salary, wage and supply expenses.

Otolaryngology Technical Staff – Otolaryngology services for which the UIHC bills, but the CCOM incurs non-physician salary, wage and supply expenses. This includes services for Speech Pathology, Audiology, and Infant Hearing Screening. For Infant Hearing Screening, the charge is part of the newborn care daily rate.

Positron Emission Tomography Center Technical Staff – The original positron tomography equipment was purchased by the UIHC with financial support from the CCOM and the UI Administration, with faculty supervision and technician staffing provided by the CCOM. As PET came into wider clinical usage, UIHC billing for technical services increased. This transfer reimburses CCOM Department of Radiology for the non-physician salary, wage and supply expenses.

Salary Support for the Director of Operating Rooms – The efficient and effective operations of surgical services at UIHC, including the management of 36 Main OR and Ambulatory Surgery rooms, requires a full-time (1.0 FTE) physician to manage the scheduling of resources.

Physiatrist Faculty Support in the Spine Treatment Center – The Department of Orthopaedics provides the services of a physiatrist to help manage the treatment of patients who require rehabilitative services. This helps to ensure the efficient utilization of hospital resources and facilitate discharge planning.

Salary for Medical Director of Case Management – UIHC requires a half-time (.5 FTE) medical director to support the hospital's clinical case management function. This payment reimburses CCOM for these services.

Family Care Center – UIHC reimburses the clinical faculty working in the Family Care Center based on the volume of clinical activity.

Iowa High-risk Infant Follow-up Program – UIHC reimburses the Department of Pediatrics for support of clinical faculty to the hospital's "Iowa High-risk Infant Follow-up Program".

C. Incentive Arrangements Between UIHC and CCOM

UIHC will seek approval from appropriate governmental agencies for the described incentive programs. The specific provisions of these incentive programs may be changed to achieve governmental approval. Level of payment for each program will be based upon the financial methodology approved by the applicable government agency and performance during each of the fiscal years.

Laboratory Inpatient Utilization Incentive Program – The Laboratory Inpatient Utilization Incentive Program will be established to help control the cost of laboratory tests performed on UIHC patients.

Length of Stay Incentive – UIHC and CCOM will partner to manage effectively and efficiently inpatient care processes with the goal of achieving an average length of stay comparable to benchmark academic medical centers. Physicians will collaborate with the hospital to develop clinical pathways to ensure that the highest quality care is provided to all UIHC patients.

Supply and Drug Cost Reduction – A joint UIHC / FPP committee will identify specific supply or pharmaceutical cost items or categories that represent opportunities for improvement (cost savings). A portion of the cost savings will be shared with CCOM.

Ambulatory Care – The President of the University of Iowa, in consultation with UIHC and the FPP, will hire a consultant to assist in identifying an optimal management and financial structure for the ambulatory care service. Once the new structure is defined, an ambulatory incentive program will be considered.

D. Transfers from CCOM to UIHC for Purchased Services

Private Clinic Practice Overhead – CCOM purchases from UIHC outpatient clinic services provided by UIHC. These services include support staff and general expense costs that are necessary to operate the outpatient clinics.

Billing and Collection Services – CCOM purchases professional billing and collection services provided by UIHC. This service includes the collection of fee-for-service physician charges, deposit of miscellaneous income, liaison with third party carriers, customer service, and departmental and summary reports.

Transcription Services – CCOM purchases transcription services from UIHC.

The University of Iowa Hospitals and Clinics
ACTUAL RELATED PARTY TRANSACTIONS (1)
 FY's 1999 thru 2005 Actual FY2006 thru 2007 Projected

<u>Description</u>	<u>FY1999</u>	<u>FY2000</u>	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005 (2)</u>	<u>FY2006</u>	<u>FY2007</u>
<u>PAYMENTS TO CCOM FROM UIHC</u>									
Graduate Medical Education (A)	\$4,898,595	\$4,996,007	\$5,283,500	\$5,395,868	\$5,579,176	\$ 5,740,400	\$ 5,868,800	\$ 5,890,143	\$ 5,753,786
Purchased Services & Transfers (B)	27,523,915	18,015,627	28,856,914	20,732,004	20,334,656	23,735,672	25,374,255	25,317,514	26,664,527
Incentive Payments (C)	8,158,000	8,220,000	5,400,000	-	-	-	-	-	TBD (3)
TOTAL PAYMENTS TO CCOM FROM UIHC	40,580,510	31,231,634	39,540,414	26,127,872	25,913,832	29,476,072	31,243,055	31,207,657	32,418,313
<u>PAYMENTS TO UIHC FROM CCOM</u>									
Payments from CCOM (D)	14,879,562	15,379,876	15,797,245	16,379,707	16,961,152	17,546,306	21,825,391	22,632,300	21,634,140
Centralized Transcription (D)	720,058	1,320,064	1,747,689	1,920,453	1,979,612	1,993,786	2,018,553	2,090,212	2,164,414
GRAND TOTAL PAYMENTS TO UIHC	\$ 15,599,620	\$ 16,699,940	\$ 17,544,934	\$ 18,300,160	\$ 18,940,764	\$ 19,540,092	\$ 23,843,944	\$ 24,722,512	\$ 23,798,554

(1) Audited and reported annually by UIHC external auditor, currently KPMG.

(2) Final audit for the fiscal year is pending

(3) Incentive programs begin in FY2006 with the first potential payments scheduled in FY2007 after the FY2006 audit is complete.