University of Iowa Health Care

Presentation to

The Board of Regents, State of Iowa

November 15-16, 2018
Opening Remarks
Operating and Financial Performance
Faculty Presentation: Next-generation Autism Research
Opening Remarks

Brooks Jackson, MD, MBA
Vice President for Medical Affairs
& Dean, Carver College of Medicine
Operating and Financial Performance

Bradley Haws, MBA
Associate Vice President for Finance & Chief Financial Officer, UI Health Care

Mark Henrichs, CPA, MHA
Assistant Vice President for Finance & Chief Financial Officer, UI Hospitals & Clinics
Volume and Financial Highlights – FY19
Through September 2018

Operating Margin
- September year-to-date actual 3.8%, budget of 1.8%

Volume Growth
- Year-over-year: Inpatient Admissions - 2.2%, Surgeries 5.9%, Clinic Visits 4.3%

Acuity
- Case Mix Index continues to be high – above 2.0 for all payers (2.11) and Medicare (2.34)

Census
- Many days above 90% occupancy

Length of Stay Index (through August)
- Adult at .93 – below the expected index of 1.0
- Pediatrics at 1.0 – at the expected index

Readmission Rates (through January)
- Adult at 10.6% - below target of 12%
- Pediatrics at 10.5% - above target of 8.3%
  - Patients with multiple comorbidities and chronic illness

Revenues
- 0.1% below budget year-to-date

Payer Mix
- Medicare growth continues
  - FY17: 35.7%, FY18: 37.3%, FY19 37.7%

Accounts Receivable
- Days in Accounts Receivable stable around 50 day

Salary Expenses
- 4.0% below budget year-to-date

Non Salary Expenses
- 1.0% below budget year-to-date
Volume - Highlights and Trends

Operating and Financial Performance

Inpatient Discharges

- Discharges are below budget by 1.3%; down 2.2% compared to last fiscal year
  - Largely driven by Adult Medical and Psychiatry
- Patient days up 4.1% compared to last fiscal year
  - Length of Stay and Acuity driven
  - Critical Care Patient Days as a percentage of total patient days benchmarks at the 83rd percentile compared to other AMCs
- Compared to other AMCs, UIHC benchmarks at the 93rd percentile in terms of Acute Care Occupancy Percentage

Surgical Cases

- Year to date, case volumes are up by 472 cases; 5.9% compared to the same time period last fiscal year
- All services experiencing growth except General Surgery and Ophthalmology
  - Both declines due to faculty departures; recruitments are underway
Volume - Highlights and Trends
Operating and Financial Performance

Emergency Department Visits

- Compared to last fiscal year, visits down 1,098 visits or 7.1%
  - This decline is driven by:
    - lower acuity patients seeking care at other sites (i.e. Quick Care)
    - increases in psychiatry patients who require inpatient services when our psychiatry beds are often filled
    - days with very high inpatient census resulting in patients having to wait in the ED for admission

- New outpatient Crisis Stabilization Unit opened October 15 for patients requiring emergency psychiatric care

- Acuity of patients continues to increase - 35.8% are admitted compared to 34.9% last year

- Admissions through the Emergency Department make up 59.4% of all inpatient admissions
Volume - Highlights and Trends

Operating and Financial Performance

Length of Stay

- Continued improvement in our length of stay (12 month rolling average) for both adult and pediatric patients
  - Adult index continues to remain steady at 0.93.
  - Pediatrics index has improved from 1.01 last year to 1.0 this year

- Continued focused efforts on:
  - Documentation to ensure we accurately reflect the acuity of our patients
  - Discharge Preparation - working with outside facilities as well as patients and family members to transition them to the most appropriate setting post-discharge

Readmissions (All-cause 30 day)

- Adult patients readmission rates continue to perform well compared to AMC colleagues

- Pediatrics is above the benchmark; primarily driven by planned readmissions being included in the data set and patient transfers being counted as readmissions
Volume - Highlights and Trends

Operating and Financial Performance

Outpatient Visits

- Growth continues to be experienced year over year – up a total of 10,260 visits; 4.3% increase
- Increased volumes at all locations; main campus, Iowa River Landing (IRL) and off-site
- All services experiencing growth year over year except General Internal Medicine, Hospital Dentistry and Surgery
  - General Internal Medicine decline is due to decreased number of faculty and vacations. Three new faculty members have been recruited and will start this fiscal year
  - When excluding Heart and Vascular patients from Surgery’s clinic volumes, they are up 186 visits or 4.1% compared to last fiscal year
Financials - Highlights and Trends
Operating and Financial Performance

Revenue
- While inpatient discharges are down year-over-year, net revenue is equal to budget due to high acuity case volumes.
- Collections for the second half of the fiscal year may be impacted negatively by final CMS Outpatient & Physician Fee Schedule rules, and change in payor mix.

Expenses
- Salary expenses are 4.0% below budget and Non-Salary expenses are 1.0% below budget
## FY19 Budget

### Volume and Rate Assumptions

#### Revenue

**Volume Growth**

<table>
<thead>
<tr>
<th>Type</th>
<th>Assumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient</td>
<td>3.0%</td>
</tr>
<tr>
<td>Outpatient</td>
<td>5.0%</td>
</tr>
<tr>
<td>Payor Rate Reduction</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Price Increase</td>
<td>6.0%</td>
</tr>
<tr>
<td>CMI Increase</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

#### Expense

**Salary Increase**

<table>
<thead>
<tr>
<th>Type</th>
<th>Assumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEIU</td>
<td>2.0%</td>
</tr>
<tr>
<td>Merit</td>
<td>1.0%</td>
</tr>
<tr>
<td>P&amp;S</td>
<td>1.0%</td>
</tr>
<tr>
<td>Faculty</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

**Non-Salary Increase**

<table>
<thead>
<tr>
<th>Type</th>
<th>Assumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drugs</td>
<td>7.5%</td>
</tr>
<tr>
<td>Supplies</td>
<td>3.0%</td>
</tr>
<tr>
<td>Utilities</td>
<td>4.0%</td>
</tr>
<tr>
<td>Other Non-Salary</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

### Net Revenues

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Revenue</td>
<td>$1,704,815</td>
</tr>
<tr>
<td>Other Operating Revenue</td>
<td>52,723</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>$1,757,538</strong></td>
</tr>
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### Expenses

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Wages</td>
<td>$811,269</td>
</tr>
<tr>
<td>General Expenses</td>
<td>787,468</td>
</tr>
<tr>
<td>Operating Expense before Capital</td>
<td>$1,598,737</td>
</tr>
<tr>
<td><strong>Cash Flow</strong></td>
<td><strong>$158,801</strong></td>
</tr>
<tr>
<td>Operating Margin</td>
<td></td>
</tr>
<tr>
<td>Capital—Depreciation and Amortization</td>
<td>102,559</td>
</tr>
<tr>
<td><strong>Total Operating Expense</strong></td>
<td><strong>$1,701,296</strong></td>
</tr>
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### Operating Income

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>Operating Income</td>
<td>$56,242</td>
</tr>
<tr>
<td>Operating Margin %</td>
<td>3.2%</td>
</tr>
<tr>
<td>Gain (Loss) on Investments</td>
<td>19,033</td>
</tr>
<tr>
<td>Other Non-Operating</td>
<td>-11,806</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td><strong>$63,469</strong></td>
</tr>
<tr>
<td><strong>Net Margin %</strong></td>
<td>3.6%</td>
</tr>
</tbody>
</table>
# University of Iowa Hospitals & Clinics FY19 Budget

## High Level Sources and Uses of Cash (in Millions)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from Operations</td>
<td>$56.2</td>
</tr>
<tr>
<td>Investment Gain or Loss</td>
<td>19.0</td>
</tr>
<tr>
<td>Capital Expenditures in Excess of Depreciation Expense</td>
<td>(36.4)</td>
</tr>
<tr>
<td>Debt Principal and Interest Payments</td>
<td>(25.6)</td>
</tr>
<tr>
<td>Savings required by Rating Agencies to Maintain Bond Rating</td>
<td>$(33.0)</td>
</tr>
<tr>
<td><strong>Primary Sources and Uses – Net Annual Impact(*)</strong></td>
<td><strong>$(19.8)</strong></td>
</tr>
</tbody>
</table>

(*) Any deficit from primary sources and uses would need to be covered by debt issuance, new philanthropy or change in operating results.
Faculty Presentation:

Next-generation Autism Research

Jacob Michaelson, PhD
Associate Professor of Psychiatry; Communication Sciences and Disorders; and Biomedical Engineering
Luke and Ethan, age 7

Next-generation Autism Research
Rewind back to birth...

Next-generation Autism Research
Luke and Ethan, age 7
Next-generation Autism Research

diet?
enriched environment/play?
medicine?
neuromodulation?
parent-child interaction?
The genome is the blueprint of the brain

Next-generation Autism Research

A better understanding of the genome is the ticket to earlier and more effective treatments
The genome is the blueprint of the brain

Next-generation Autism Research

90% genetic
~74 known genes

1,000+ genes to be discovered
SPARK Consortium
Next-generation Autism Research

SPARK is building a national autism cohort of 50,000 individuals, more people than can fit in Wrigley Field.
This is the consortium charting the future of autism research

And we have a seat at the table
Spark Consortium
Next-generation Autism Research

**STEP 1**
Create an account online.

**STEP 2**
Invite family members

**STEP 3**
Complete saliva test and return

**STEP 4**
Discover new research opportunities
Outreach: at the state fair

Next-generation Autism Research

Over 800 families enrolled

Constant community engagement

Constant provider/educator engagement

25% from UI Hospitals & Clinics

75% from all over Iowa
Sleep and eating problems are a major issue in autism — Still unsolved

Through SPARK, we conducted a study over 2 weeks that quantified the experiences of over 5,000 families with autism — These all have genetic data already — Our data + genetics = biology of sleep and eating problems in ASD
  ▪ Improving quality of life for kids, families — Cost: $1/family

This is how we’re doing research going forward
Thank you
Next-generation Autism Research

“I hope SPARK leads to insights on how best to help children with autism as they progress into adulthood.”

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