# AGENDA

**BOARD OF REGENTS, STATE OF IOWA**
**UIHC COMMITTEE MEETING**

April 18, 2007  
8:30-11:30 a.m.  
Clasen Memorial Board Room UIHC  
Iowa City, Iowa

| I. | Introductory Comments and Review of Prior Meeting Minutes | Regent Robert N. Downer, Chair  
|    |                                                          | Donna Katen-Bahensky, Senior Vice President of Medical Affairs and Chief Executive Officer - UIHC |
| II. | Operating and Financial Performance  
   | YTD February 2007 | Donna Katen-Bahensky |
| III. | Vision for Ambulatory Care Access | Jean Robillard, Vice President for Medical Affairs, Dean CCOM |
| IV. | Institute of Orthopaedics, Sports Medicine and Rehabilitation  
|    | Additional Discussion | Donna Katen-Bahensky |
| V. | FY 2008 Proposed Budget Presentation | Donna Katen-Bahensky  
|    |                                                          | JoEllen Browning, Manager, Financial Analyst, UIHC |
| VI. | IowaCare and Legislative Update | Donna Katen-Bahensky  
|    |                                                          | Stacey Cyphert, Special Advisor to the President, Special Advisor to the Dean of CCOM, Senior Assistant Hospital Director |
| VII. | CEO Remarks | Donna Katen-Bahensky |
Operating and Financial Performance
Year-to-Date February 2007

Donna Katen-Bahensky
Senior Associate Vice President for Medical Affairs
and Chief Executive Officer - UIHC
## Volume Indicators
### July 2006 through February 2007

<table>
<thead>
<tr>
<th>Operating Review (YTD)</th>
<th>Actual</th>
<th>Budget</th>
<th>Prior Year</th>
<th>Variance to Budget</th>
<th>Variance to Prior Year</th>
<th>Variance to Budget</th>
<th>Variance to Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admissions</td>
<td>18,227</td>
<td>17,032</td>
<td>16,888</td>
<td>1,195</td>
<td>7.0%</td>
<td>1,339</td>
<td>7.9%</td>
</tr>
<tr>
<td>Patient Days</td>
<td>121,054</td>
<td>110,379</td>
<td>114,105</td>
<td>10,675</td>
<td>9.7%</td>
<td>6,949</td>
<td>6.1%</td>
</tr>
<tr>
<td>Length of Stay</td>
<td>6.64</td>
<td>6.48</td>
<td>6.76</td>
<td>0.16</td>
<td>2.5%</td>
<td>(0.12)</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Average Daily Census</td>
<td>498.16</td>
<td>454.23</td>
<td>469.57</td>
<td>43.93</td>
<td>9.7%</td>
<td>28.60</td>
<td>6.1%</td>
</tr>
<tr>
<td>Surgeries - Inpatient</td>
<td>7,178</td>
<td>6,860</td>
<td>6,725</td>
<td>318</td>
<td>4.6%</td>
<td>453</td>
<td>6.7%</td>
</tr>
<tr>
<td>Surgeries - Outpatient</td>
<td>7,185</td>
<td>7,256</td>
<td>7,114</td>
<td>(71)</td>
<td>-1.0%</td>
<td>71</td>
<td>1.0%</td>
</tr>
<tr>
<td>Emergency Treatment Center Visits</td>
<td>25,377</td>
<td>23,382</td>
<td>22,761</td>
<td>1,995</td>
<td>8.5%</td>
<td>2,616</td>
<td>11.5%</td>
</tr>
<tr>
<td>Outpatient Clinic Visits</td>
<td>450,842</td>
<td>436,924</td>
<td>438,531</td>
<td>13,918</td>
<td>3.2%</td>
<td>12,311</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

| Case Mix | 1.7522 | 1.7360 | 1.7474 | 0.0162 | 0.9% | 0.0048 | 0.3% |
| Medicare Case Mix | 1.9485 | 1.8797 | 1.9021 | 0.0688 | 3.7% | 0.0464 | 2.4% |

- **Greater than 2.5% Favorable**
- **Neutral**
- **Greater than 2.5% Unfavorable**
## Comparative Financial Results
### July 2006 through February 2007

### NET REVENUES:

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
<th>Prior Year</th>
<th>Variance to Budget</th>
<th>Variance to Prior Year</th>
<th>Variance to Budget</th>
<th>Variance to Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Revenue</td>
<td>$492,760</td>
<td>$467,795</td>
<td>$438,904</td>
<td>$24,965</td>
<td>5.3%</td>
<td>$53,856</td>
<td>12.3%</td>
</tr>
<tr>
<td>Appropriations</td>
<td>8,938</td>
<td>8,938</td>
<td>8,938</td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other Operating Revenue</td>
<td>26,350</td>
<td>26,216</td>
<td>25,429</td>
<td>134</td>
<td>0.5%</td>
<td>921</td>
<td>3.6%</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$528,048</td>
<td>$502,949</td>
<td>$473,271</td>
<td>$5,099</td>
<td>5.0%</td>
<td>$54,777</td>
<td>11.6%</td>
</tr>
</tbody>
</table>

### EXPENSES:

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
<th>Prior Year</th>
<th>Variance to Budget</th>
<th>Variance to Prior Year</th>
<th>Variance to Budget</th>
<th>Variance to Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Wages</td>
<td>$266,614</td>
<td>$259,906</td>
<td>$243,822</td>
<td>$6,708</td>
<td>2.6%</td>
<td>$22,792</td>
<td>9.4%</td>
</tr>
<tr>
<td>General Expenses</td>
<td>191,210</td>
<td>191,939</td>
<td>178,818</td>
<td>(729)</td>
<td>-0.4%</td>
<td>12,392</td>
<td>6.9%</td>
</tr>
<tr>
<td>Operating Expense before Capital</td>
<td>457,824</td>
<td>451,845</td>
<td>422,640</td>
<td>5,979</td>
<td>1.3%</td>
<td>35,184</td>
<td>8.3%</td>
</tr>
<tr>
<td>Earnings Before Depreciation, Interest, and Amortization (EBDITA)</td>
<td>70,224</td>
<td>51,104</td>
<td>50,631</td>
<td>19,120</td>
<td>37.4%</td>
<td>19,593</td>
<td>38.7%</td>
</tr>
<tr>
<td>Capital- Depreciation and Amortization</td>
<td>38,942</td>
<td>36,175</td>
<td>33,962</td>
<td>2,767</td>
<td>7.7%</td>
<td>4,980</td>
<td>14.7%</td>
</tr>
<tr>
<td>Total Operating Expense</td>
<td>$496,766</td>
<td>$488,020</td>
<td>$456,602</td>
<td>$8,746</td>
<td>1.8%</td>
<td>$40,164</td>
<td>8.8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
<th>Variance to Budget</th>
<th>Variance to Prior Year</th>
<th>Variance to Budget</th>
<th>Variance to Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>$31,282</td>
<td>$14,929</td>
<td>$16,669</td>
<td>$16,353</td>
<td>109.5%</td>
<td>$14,613</td>
</tr>
<tr>
<td>Operating Margin %</td>
<td>5.9%</td>
<td>3.0%</td>
<td>3.5%</td>
<td>2.9%</td>
<td>96.7%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Gain (Loss) on Investments</td>
<td>16,048</td>
<td>6,536</td>
<td>6,382</td>
<td>9,512</td>
<td>145.5%</td>
<td>9,666</td>
</tr>
<tr>
<td>Non-Recurring Items</td>
<td>0</td>
<td>0</td>
<td>1,830</td>
<td>0</td>
<td>0.0%</td>
<td>(1,830)</td>
</tr>
<tr>
<td>Net Income</td>
<td>47,330</td>
<td>21,465</td>
<td>24,881</td>
<td>25,865</td>
<td>120.5%</td>
<td>22,449</td>
</tr>
<tr>
<td>Net Margin %</td>
<td>9.0%</td>
<td>4.3%</td>
<td>5.3%</td>
<td>4.7%</td>
<td>109.3%</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

**NOTE:** all dollar amounts are in thousands
Comparative Accounts Receivable at February 28, 2007

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Accounts Receivable</td>
<td>$93,964,049</td>
<td>$95,976,921</td>
<td>$89,210,936</td>
</tr>
<tr>
<td>Net Days in AR</td>
<td>57</td>
<td>51</td>
<td>44</td>
</tr>
</tbody>
</table>

Days of Revenue in Net A/R

Bad Debts

MEDIAN (54) Moody's Aa Rating
# Admissions by Clinical Department

## July 2006 through February 2007

<table>
<thead>
<tr>
<th>Operating Review (YTD)</th>
<th>Actual</th>
<th>Budget</th>
<th>Prior Year</th>
<th>Variance to Budget</th>
<th>% Variance to Budget</th>
<th>Variance to Prior Year</th>
<th>% Variance to Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Medicine</td>
<td>642</td>
<td>514</td>
<td>485</td>
<td>128</td>
<td>24.8%</td>
<td>157</td>
<td>32.4%</td>
</tr>
<tr>
<td>General Surgery</td>
<td>2,065</td>
<td>1,901</td>
<td>1,860</td>
<td>164</td>
<td>8.6%</td>
<td>205</td>
<td>11.0%</td>
</tr>
<tr>
<td>Internal Medicine</td>
<td>5,218</td>
<td>4,830</td>
<td>4,797</td>
<td>388</td>
<td>8.0%</td>
<td>421</td>
<td>8.8%</td>
</tr>
<tr>
<td>Neurology</td>
<td>913</td>
<td>722</td>
<td>691</td>
<td>191</td>
<td>26.5%</td>
<td>222</td>
<td>32.1%</td>
</tr>
<tr>
<td>Neurosurgery</td>
<td>1,340</td>
<td>1,424</td>
<td>1,417</td>
<td>(84)</td>
<td>-5.9%</td>
<td>(77)</td>
<td>-5.4%</td>
</tr>
<tr>
<td>Obstetrics/Gynecology</td>
<td>1,970</td>
<td>1,724</td>
<td>1,671</td>
<td>246</td>
<td>14.3%</td>
<td>299</td>
<td>17.9%</td>
</tr>
<tr>
<td>Ophthalmology</td>
<td>64</td>
<td>68</td>
<td>67</td>
<td>(4)</td>
<td>-6.0%</td>
<td>(3)</td>
<td>-4.5%</td>
</tr>
<tr>
<td>Orthopaedics</td>
<td>1,551</td>
<td>1,367</td>
<td>1,383</td>
<td>184</td>
<td>13.5%</td>
<td>168</td>
<td>12.2%</td>
</tr>
<tr>
<td>Otolaryngology</td>
<td>390</td>
<td>467</td>
<td>472</td>
<td>(77)</td>
<td>-16.5%</td>
<td>(82)</td>
<td>-17.4%</td>
</tr>
<tr>
<td>Pediatrics</td>
<td>1,649</td>
<td>1,478</td>
<td>1,503</td>
<td>171</td>
<td>11.6%</td>
<td>146</td>
<td>9.7%</td>
</tr>
<tr>
<td>Psychiatry</td>
<td>1,456</td>
<td>1,540</td>
<td>1,542</td>
<td>(84)</td>
<td>-5.5%</td>
<td>(86)</td>
<td>-5.6%</td>
</tr>
<tr>
<td>Cardiothoracic</td>
<td>353</td>
<td>368</td>
<td>363</td>
<td>(15)</td>
<td>-4.0%</td>
<td>(10)</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Urology</td>
<td>481</td>
<td>461</td>
<td>463</td>
<td>20</td>
<td>4.4%</td>
<td>18</td>
<td>3.9%</td>
</tr>
<tr>
<td>Other</td>
<td>135</td>
<td>168</td>
<td>174</td>
<td>(33)</td>
<td>-19.6%</td>
<td>(39)</td>
<td>-22.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18,227</strong></td>
<td><strong>17,032</strong></td>
<td><strong>16,888</strong></td>
<td><strong>1,195</strong></td>
<td><strong>7.0%</strong></td>
<td><strong>1,339</strong></td>
<td><strong>7.9%</strong></td>
</tr>
</tbody>
</table>

![Legend](chart)

*Greater than 2.5% Favorable | Neutral | Greater than 2.5% Unfavorable*
## Inpatient Surgeries – by Clinical Department

**July 2006 through February 2007**

<table>
<thead>
<tr>
<th>Operating Review (YTD)</th>
<th>Actual</th>
<th>Budget</th>
<th>Prior Year</th>
<th>Variance to Budget</th>
<th>Variance to Prior Year</th>
<th>Variance to Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardiothoracic</td>
<td>659</td>
<td>615</td>
<td>584</td>
<td>44</td>
<td>7.2%</td>
<td>75</td>
</tr>
<tr>
<td>Dentistry</td>
<td>83</td>
<td>80</td>
<td>82</td>
<td>3</td>
<td>4.3%</td>
<td>1</td>
</tr>
<tr>
<td>Dermatology</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
</tr>
<tr>
<td>General Surgery</td>
<td>1,813</td>
<td>1,717</td>
<td>1,668</td>
<td>96</td>
<td>5.6%</td>
<td>145</td>
</tr>
<tr>
<td>Gynecology</td>
<td>526</td>
<td>425</td>
<td>403</td>
<td>101</td>
<td>23.9%</td>
<td>123</td>
</tr>
<tr>
<td>Internal Medicine</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
</tr>
<tr>
<td>Neurosurgery</td>
<td>1,123</td>
<td>1,186</td>
<td>1,160</td>
<td>(63)</td>
<td>-5.3%</td>
<td>(37)</td>
</tr>
<tr>
<td>Ophthalmology</td>
<td>82</td>
<td>82</td>
<td>77</td>
<td>0</td>
<td>0.0%</td>
<td>5</td>
</tr>
<tr>
<td>Orthopaedics</td>
<td>1,879</td>
<td>1,735</td>
<td>1,733</td>
<td>144</td>
<td>8.3%</td>
<td>146</td>
</tr>
<tr>
<td>Otolaryngology</td>
<td>522</td>
<td>574</td>
<td>581</td>
<td>(52)</td>
<td>-9.1%</td>
<td>(59)</td>
</tr>
<tr>
<td>Pediatrics</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
</tr>
<tr>
<td>Urology w/ Procedure Ste.</td>
<td>491</td>
<td>446</td>
<td>437</td>
<td>45</td>
<td>10.1%</td>
<td>54</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,178</strong></td>
<td><strong>6,860</strong></td>
<td><strong>6,725</strong></td>
<td><strong>318</strong></td>
<td><strong>4.6%</strong></td>
<td><strong>453</strong></td>
</tr>
</tbody>
</table>

### Symbols
- Green circle: Greater than 2.5% Favorable
- Red circle: Greater than 2.5% Unfavorable
- White circle: Neutral
# Outpatient Surgeries – by Clinical Department

## July 2006 through February 2007

<table>
<thead>
<tr>
<th>Operating Review (YTD)</th>
<th>Actual</th>
<th>Budget</th>
<th>Prior Year</th>
<th>Variance to Budget</th>
<th>% Variance to Budget</th>
<th>Variance to Prior Year</th>
<th>% Variance to Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardiothoracic</td>
<td>52</td>
<td>51</td>
<td>45</td>
<td>1</td>
<td>1.3% ○</td>
<td>7</td>
<td>15.6% ○</td>
</tr>
<tr>
<td>Dentistry</td>
<td>313</td>
<td>320</td>
<td>308</td>
<td>(7)</td>
<td>-2.3% ○</td>
<td>5</td>
<td>1.6% ○</td>
</tr>
<tr>
<td>Dermatology</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>(1)</td>
<td>-25.0% ○</td>
<td>0</td>
<td>0.0% ○</td>
</tr>
<tr>
<td>General Surgery</td>
<td>993</td>
<td>924</td>
<td>901</td>
<td>69</td>
<td>7.4% ●</td>
<td>92</td>
<td>10.2% ●</td>
</tr>
<tr>
<td>Gynecology</td>
<td>385</td>
<td>353</td>
<td>324</td>
<td>32</td>
<td>9.2% ●</td>
<td>61</td>
<td>18.8% ●</td>
</tr>
<tr>
<td>Internal Medicine</td>
<td>7</td>
<td>10</td>
<td>13</td>
<td>(3)</td>
<td>-30.0% ●</td>
<td>(6)</td>
<td>-46.2% ●</td>
</tr>
<tr>
<td>Neurosurgery</td>
<td>61</td>
<td>63</td>
<td>63</td>
<td>(2)</td>
<td>-3.2% ○</td>
<td>(2)</td>
<td>-3.2% ○</td>
</tr>
<tr>
<td>Ophthalmology</td>
<td>1,794</td>
<td>1,865</td>
<td>1,846</td>
<td>(71)</td>
<td>-3.8% ●</td>
<td>(52)</td>
<td>-2.8% ●</td>
</tr>
<tr>
<td>Orthopaedics</td>
<td>1,573</td>
<td>1,683</td>
<td>1,687</td>
<td>(110)</td>
<td>-6.6% ●</td>
<td>(114)</td>
<td>-6.8% ●</td>
</tr>
<tr>
<td>Otolaryngology</td>
<td>1,277</td>
<td>1,235</td>
<td>1,194</td>
<td>42</td>
<td>3.4% ●</td>
<td>83</td>
<td>7.0% ●</td>
</tr>
<tr>
<td>Pediatrics</td>
<td>3</td>
<td>5</td>
<td>5</td>
<td>(2)</td>
<td>-40.0% ○</td>
<td>(2)</td>
<td>-40.0% ○</td>
</tr>
<tr>
<td>Urology w/ Procedure Ste.</td>
<td>724</td>
<td>743</td>
<td>725</td>
<td>(19)</td>
<td>-2.5% ●</td>
<td>(1)</td>
<td>-0.1% ○</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,185</td>
<td>7,256</td>
<td>7,114</td>
<td>(71)</td>
<td>-1.0% ○</td>
<td>71</td>
<td>1.0% ○</td>
</tr>
</tbody>
</table>
## Emergency Treatment Center
July 2006 through February 2007

### Operating Review (YTD)

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
<th>Prior Year</th>
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<th>% Variance to Prior Year</th>
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<td>23,382</td>
<td>22,761</td>
<td>1,995</td>
<td>8.5%</td>
<td>2,616</td>
<td>11.5%</td>
</tr>
<tr>
<td>ETC Admits</td>
<td>7,147</td>
<td>6,410</td>
<td>6,223</td>
<td>737</td>
<td>11.5%</td>
<td>924</td>
<td>14.8%</td>
</tr>
<tr>
<td>Conversion Factor</td>
<td>28.2%</td>
<td>27.4%</td>
<td>27.3%</td>
<td></td>
<td>2.7%</td>
<td></td>
<td>3.0%</td>
</tr>
<tr>
<td>ETC Admits / Total Admits</td>
<td>39.2%</td>
<td>37.6%</td>
<td>36.8%</td>
<td></td>
<td>4.2%</td>
<td></td>
<td>6.4%</td>
</tr>
</tbody>
</table>
## Clinic Visits by Clinical Department
### July 2006 through February 2007

<table>
<thead>
<tr>
<th>Operating Review (YTD)</th>
<th>Actual</th>
<th>Budget</th>
<th>Prior Year</th>
<th>Variance to Budget</th>
<th>% Variance to Budget</th>
<th>Variance to Prior Year</th>
<th>% Variance to Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anesthesia</td>
<td>11,010</td>
<td>11,191</td>
<td>11,435</td>
<td>(181)</td>
<td>-1.6%</td>
<td>(425)</td>
<td>-3.7%</td>
</tr>
<tr>
<td>CDD</td>
<td>4,189</td>
<td>3,548</td>
<td>3,538</td>
<td>641</td>
<td>18.1%</td>
<td>651</td>
<td>18.4%</td>
</tr>
<tr>
<td>Clinical Research</td>
<td>5,106</td>
<td>6,167</td>
<td>6,094</td>
<td>(1,061)</td>
<td>-17.2%</td>
<td>(988)</td>
<td>-16.2%</td>
</tr>
<tr>
<td>Dermatology</td>
<td>14,692</td>
<td>14,345</td>
<td>14,737</td>
<td>347</td>
<td>2.4%</td>
<td>(45)</td>
<td>-0.3%</td>
</tr>
<tr>
<td>ETC</td>
<td>25,126</td>
<td>22,382</td>
<td>22,377</td>
<td>2,744</td>
<td>12.3%</td>
<td>2,749</td>
<td>12.3%</td>
</tr>
<tr>
<td>Employee Health Clinic</td>
<td>9,994</td>
<td>11,275</td>
<td>10,612</td>
<td>(1,281)</td>
<td>-11.4%</td>
<td>(618)</td>
<td>-5.8%</td>
</tr>
<tr>
<td>Family Care Center</td>
<td>68,600</td>
<td>64,546</td>
<td>65,208</td>
<td>4,054</td>
<td>6.3%</td>
<td>3,392</td>
<td>5.2%</td>
</tr>
<tr>
<td>General Surgery</td>
<td>17,047</td>
<td>15,838</td>
<td>15,635</td>
<td>1,209</td>
<td>7.6%</td>
<td>1,412</td>
<td>9.0%</td>
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<tr>
<td>Hospital Dentistry</td>
<td>14,252</td>
<td>14,366</td>
<td>14,186</td>
<td>(114)</td>
<td>-0.8%</td>
<td>66</td>
<td>0.5%</td>
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<tr>
<td>Internal Medicine</td>
<td>67,402</td>
<td>66,287</td>
<td>66,539</td>
<td>1,115</td>
<td>1.7%</td>
<td>863</td>
<td>1.3%</td>
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<tr>
<td>Neurology</td>
<td>10,337</td>
<td>11,644</td>
<td>12,192</td>
<td>(1,307)</td>
<td>-11.2%</td>
<td>(1,855)</td>
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</tr>
<tr>
<td>Neurosurgery</td>
<td>5,690</td>
<td>5,846</td>
<td>6,033</td>
<td>(156)</td>
<td>-2.7%</td>
<td>(343)</td>
<td>-5.7%</td>
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<tr>
<td>Obstetrics/Gynecology</td>
<td>42,335</td>
<td>40,473</td>
<td>39,922</td>
<td>1,862</td>
<td>4.6%</td>
<td>2,413</td>
<td>6.0%</td>
</tr>
<tr>
<td>Ophthalmology</td>
<td>40,712</td>
<td>40,052</td>
<td>40,526</td>
<td>660</td>
<td>1.7%</td>
<td>186</td>
<td>0.5%</td>
</tr>
<tr>
<td>Orthopaedics</td>
<td>33,962</td>
<td>32,758</td>
<td>33,662</td>
<td>1,204</td>
<td>3.7%</td>
<td>300</td>
<td>0.9%</td>
</tr>
<tr>
<td>Otolaryngology</td>
<td>18,780</td>
<td>18,526</td>
<td>18,337</td>
<td>254</td>
<td>1.4%</td>
<td>443</td>
<td>2.4%</td>
</tr>
<tr>
<td>Pediatrics</td>
<td>20,511</td>
<td>19,200</td>
<td>18,946</td>
<td>1,311</td>
<td>6.8%</td>
<td>1,565</td>
<td>8.3%</td>
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<tr>
<td>Psychiatry</td>
<td>25,400</td>
<td>25,054</td>
<td>24,921</td>
<td>346</td>
<td>1.4%</td>
<td>479</td>
<td>1.9%</td>
</tr>
<tr>
<td>Cardiothoracic</td>
<td>1,373</td>
<td>1,424</td>
<td>1,397</td>
<td>(51)</td>
<td>-3.6%</td>
<td>(24)</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Urology</td>
<td>10,088</td>
<td>10,570</td>
<td>11,095</td>
<td>(482)</td>
<td>-4.6%</td>
<td>(1,007)</td>
<td>-9.1%</td>
</tr>
<tr>
<td>Other</td>
<td>4,236</td>
<td>1,433</td>
<td>1,139</td>
<td>2,803</td>
<td>195.5%</td>
<td>3,097</td>
<td>272%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>450,842</td>
<td>436,924</td>
<td>438,531</td>
<td>13,918</td>
<td>3.2%</td>
<td>12,311</td>
<td>2.8%</td>
</tr>
</tbody>
</table>
Vision for Ambulatory Care Access

Jean Robillard, M.D.
Vice President for Medical Affairs, Dean CCOM
UI Health Care Culture

• Be an organization of continual process improvement
• Enhance emphasis on collaborative patient- and family-centered care
• Maintain high expectations for excellence and teamwork
• Anticipate change and be proactive
Patient-Centered Organization

- Fundraisers
- Parking Valets
- Educators
- Volunteers
- Social Workers
- Pharmacists
- Dieticians
- Nurses
- Administrators
- Therapists
- Clerks
- Researchers
- Custodians
- Technicians
- Clinicians
- Patients
Priorities for Improving Ambulatory Care Access

- Improve relationships with referring physicians and increase referrals
- Decrease the number of appointment types
- Improve access for new patients
- Design patient-centered scheduling
- Reduce no-show rates
- Evaluate methods of communication with patients
- Improve patient, staff and physician satisfaction
Improving Access for Patients

• RFQ for strategic planning services for improving access to health care services

• Proposals received April 10 from three vendors
  – Health Strategies & Solutions, Inc.
  – ECG Management Consultants, Inc.
  – TRG Healthcare, LLC
Network of Ambulatory Care

Referring clinic

Referring clinic

Referring clinic

Referring clinic

Ambulatory Care Campus

University of Iowa Hospitals & Clinics
Institute for Orthopaedics, Sports Medicine and Rehabilitation

Additional Discussion

Donna Katen-Bahensky
Senior Associate Vice President for Medical Affairs
and Chief Executive Officer - UIHC
Project Collaborators

Joseph Buckwalter, MD
Professor and Head
Department of Orthopaedics & Rehabilitation

Ned Amendola, MD
Professor and Director
University of Iowa Sports Medicine Center

Richard K. Shields, PT, Ph.D.
Director and Professor
Graduate Program in Physical Therapy & Rehabilitation Sciences

Gary Barta
Director of Athletics
University of Iowa

Shane Cerone
Senior Assistant Director, UIHC

John Staley
Senior Associate Director, UIHC

Denise Rettig
Administrative Fellow, UIHC
Outline

• Project Description
• Description of Need
• Strategic Initiatives
• Vision and Model
• Critical Success Factors
• Alternative Options
• Funding
• Business Model
  – Volumes
  – Return on Investment
• Now vs. Later and Next Steps
Project Description

Develop the Institute for Orthopaedics, Sports Medicine and Rehabilitation (IOSMR)

- Establish facility west of the Roy G. Karro Hall of Fame
- Phase I building size of 26,000 (BGSF), accommodating 16 exam rooms – with additional Phase II 20,000 (BGSF) for academics, research and university athletics programs
- Focus on Sports Medicine with other select ambulatory services
- Clinic, imaging and rehabilitation in a single, convenient location
- Establish a center where clinical care and research highlight our academic difference
- Relocation of other orthopaedic services and facilities from UIHC main campus

IOSMR will support the University of Iowa’s academic programs in physical therapy, athletic training, and rehabilitation; and continue to build on a strong relationship with University of Iowa Athletics.
New Tennis Facility

Sports Medicine

Rugby Field

Field Hockey

Practice Soccer Field

Hall of Fame

Mormon Trek

Melrose Avenue

Project Description - Location
Project Description - Location

- Location consistent with University’s long-term master plan for the Hawkeye Campus as a sports and recreation area
- Close relationship to university athletics, recreational sports and fitness facilities, biking trails, cross country course, tennis center, and high school
- Close proximity to UIHC and collaboration with UI athletic services will benefit Iowans, including University athletes and staff
- Location provides adequate space to accommodate Phase I and II, along with adjacent parking
- Athletic theme, accessibility of location and affiliation with the Hawkeyes creates a development opportunity that promotes relationship-building and economic development
- Although the desired location is off-site, the IOSMR is hospital-based and considered an extension of the UIHC campus
- IOSMR will be a component of the Department of Orthopaedics and Rehabilitation, operating within the organizational, financial, and administrative structure of UIHC
## Project Description – Phases I & II

### Preliminary Cost Estimates

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Building Square Footage</td>
<td>46,000</td>
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### Phase I

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Cost Estimate</td>
<td>$5,975,000</td>
</tr>
<tr>
<td>Equipment Cost Estimate</td>
<td>$2,981,000</td>
</tr>
</tbody>
</table>

### Phase II

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>$5,073,000</td>
</tr>
</tbody>
</table>

**TOTAL PROJECT INCLUDING PHASE I & II** $14,029,000

* Project planning would begin once there is approval of the Phase I request for Permission to Proceed with Project Planning and the request for Permission to Seek Architectural Assistance. Construction of the IOSMR is expected to take 12-18 months.*
Description of Need

- Increased patient demand for immediate access to care
- Extended life expectancy results in a more active population
- Desire for a high quality of life drives wellness initiatives and exercise
- Future prominence dependent upon advancing the health of an active adult population
- Maintain position as national leader (Orthopaedics ranked 7th by US News and World Report America’s Best Hospitals)
- Create a resource that allows highest quality patient care delivered in a location that is conveniently accessed by patients and provides facilities for projected growth in patient volumes
Description of Need - Industry Trends

• Sports medicine services are responsible for 53% of total profits for all hospital outpatient sub-service lines (The Health Care Advisory Board)

• National trend toward off-site care (Advisory Board)
  – Outpatient services moving off-site
  – Sub-specialty focus in a multidisciplinary environment
  – Developed to meet patient expectations
  – Emphasis on patient access and service

• Development of prominent Academic Sports Medicine programs
  – Michigan
  – Florida
  – Utah
Strategic Initiatives

• **Strategy 1.1** – Create a framework for system transformation that fully and effectively implements UIHC’s Ambulatory Standards of Excellence and develops similar care standards for inpatient services
  – Immediate (same day/next day) access to care in an easily accessible location
  – Comprehensive care with imaging and rehabilitation on-site

• **Strategy 1.2** – Create coordinated, interdisciplinary, multi-departmental care models; provide seamless, collaborative approach to care
  – Multidisciplinary team approach
    (Surgeons, primary care physicians, pediatric sports specialists, physical therapists, physician assistants, athletic trainers, nurses and other professionals with unique expertise to patient care, education and research endeavors)
  – Future specialization in women and aging populations
Strategic Initiatives (cont’d)

- **Strategy 1.3** – Train next generation of physicians, health care professionals, and the public in newest and best care delivery models
  - Host site for visitors, students, professors
  - Training ground for future physicians and professionals

- **Strategy 1.4** – Enhance and expand scientific efforts in health science research
  - Capitalize on strong relationship between nationally accredited programs (Department of Orthopaedics and Rehabilitation and the Graduate Program in Physical Therapy and Rehabilitation Science)
  - Increase ability to carry out research initiatives and extramural funding
  - Provide treatment from experts who are leaders in their field and pioneers in orthopaedics and sports medicine
IOSMR Vision and Model of Care

• **Vision**
  – To be the orthopaedic and rehabilitation provider patients choose for innovative care, excellent service and exceptional outcomes by offering high quality, patient-centered care in a convenient location

• **Model**
  – Foster a multi-disciplinary team approach to treatment, imaging and rehabilitation, providing care that exceeds the competition in clinical expertise, outcomes, and quality of life improvement

• **Goal**
  – To provide the most comprehensive university-based sports medicine service in Iowa and the Midwest that is readily accessible to University athletes and members of the community
Critical Success Factors

• Improve patient access
  – Same day/next day appointment
  – Convenient location with multidisciplinary care

• Expand sports medicine team’s complement of skills
  – Provider Complement
    • 5 Orthopaedic Surgeons
      – Geriatrics
      – Women’s Health
    • 2 Primary Care Physicians
    • 2 Physician Assistants
    • 1.5 Physiatrists
    • .5 Primary Care Sports Medicine Fellows

• Expand referral networks

• Increase the rate of orthopaedic surgeon new vs. return appointment distribution

• Improve rehabilitation services

• Increase educational opportunities

• Expand research initiatives and funding
Alternative Options & Facility Space

• Expansion of current Sports Medicine Center
  – Lack of sufficient space to meet IOSMR’s programmatic needs
  – Current location does not facilitate easy access for patients
  – Difficult to fully develop multidisciplinary care model
  – Lack of space for research and expansion of educational opportunities

• South end-zone expansion of Kinnick Stadium
  – Lack of adequate visibility
  – Lack of adequate parking
  – Lack of sufficient space to meet IOSMR’s programmatic needs

• Sports Medicine movement to the IOSMR will free up 4,800 DGSF in the lower level of Pappajohn Pavilion which will be reassigned to meet other UIHC space needs
Funding

• Estimated cost:
  – Phase I Construction Project - $5,975,000

• Source of funding:
  – University Hospitals building usage funds
    • Depreciation allowances of third parties underwriting the cost of patient care
    • Hospital net earnings from paying patients
  – No capital appropriated dollars will be involved in the planning or construction of Phase I
  – Hospital Revenue Bonds may be utilized
Funding (Cont’d)

• Estimated cost:
  – Phase II Construction Project - $5,073,000

• Source of funding:
  – Philanthropy
  – Additional financing to be determined
  – No capital appropriated dollars will be involved in Phase II
## Business Model and Volumes

<table>
<thead>
<tr>
<th></th>
<th>FY05</th>
<th>FY06</th>
<th>FY07</th>
<th>FY08</th>
<th>FY10</th>
<th>FY12</th>
<th>FY14</th>
<th>FY16</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exam Rooms</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exam Rooms</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Encounters (New)</td>
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<td>2,093</td>
<td>3,056</td>
<td>3,886</td>
<td>7,111</td>
<td>9,934</td>
<td>11,150</td>
<td>12,000</td>
<td>12,600</td>
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<td>Encounters (Return)</td>
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<td>6,730</td>
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<td>10,413</td>
<td>14,259</td>
<td>16,327</td>
<td>20,342</td>
<td>21,290</td>
</tr>
<tr>
<td>Total Encounters</td>
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<td>8,533</td>
<td>9,786</td>
<td>11,588</td>
<td>17,524</td>
<td>24,193</td>
<td>27,477</td>
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<td><strong>Rehabilitation</strong></td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>Number of Cases [A]</td>
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<td>5,927</td>
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<td>10,614</td>
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<td><strong>Radiology</strong></td>
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<tr>
<td>DR X-Rays</td>
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<td>875</td>
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<td>MRI Rooms (SMC specific)</td>
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<td>1</td>
<td>1</td>
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<tr>
<td><strong>Outpatient Surgery</strong></td>
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<td>937</td>
<td>1,137</td>
<td>1,540</td>
<td>1,759</td>
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<td>Clinic Encounters/Outpatient Procedure</td>
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<td>12</td>
<td>15</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>15</td>
</tr>
<tr>
<td>New Procedures over Previous Year</td>
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<td>NA</td>
<td>40</td>
<td>153</td>
<td>83</td>
<td>218</td>
<td>107</td>
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<tr>
<td>Growth Rate</td>
<td>5.4%</td>
<td>19.5%</td>
<td>7.9%</td>
<td>16.5%</td>
<td>6.5%</td>
<td>6.4%</td>
<td>6.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td># New Procedures over 06</td>
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<td>193</td>
<td>393</td>
<td>796</td>
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<td></td>
</tr>
<tr>
<td>Number of Cases</td>
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<td>182</td>
<td>192</td>
<td>229</td>
<td>278</td>
<td>377</td>
<td>430</td>
<td>504</td>
<td>556</td>
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<td><strong>Staff (FTE)</strong></td>
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<td></td>
</tr>
<tr>
<td>Clinicians</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Surgeons</td>
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<td>3.0</td>
<td>4.0</td>
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<td>5.0</td>
<td>5.0</td>
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<tr>
<td>Primary Care Physicians/Fellow</td>
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<td>0.2</td>
<td>1.7</td>
<td>1.7</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
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</tr>
<tr>
<td>Psychiatrists</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.0</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
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<tr>
<td>Physician Assistants</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
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</table>
**Incremental Margin by Combined Revenue Source**

<table>
<thead>
<tr>
<th>Year</th>
<th>Combined Incremental Margin</th>
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</thead>
<tbody>
<tr>
<td>FY09</td>
<td>$280,229</td>
</tr>
<tr>
<td>FY10</td>
<td>$481,649</td>
</tr>
<tr>
<td>FY11</td>
<td>$881,996</td>
</tr>
<tr>
<td>FY12</td>
<td>$1,395,607</td>
</tr>
<tr>
<td>FY13</td>
<td>$1,602,804</td>
</tr>
<tr>
<td>FY14</td>
<td>$1,811,179</td>
</tr>
<tr>
<td>FY15</td>
<td>$2,178,910</td>
</tr>
<tr>
<td>FY16</td>
<td>$2,399,359</td>
</tr>
<tr>
<td>FY17</td>
<td>$2,515,433</td>
</tr>
<tr>
<td>FY18</td>
<td>$2,821,714</td>
</tr>
<tr>
<td><strong>Total (FY09-FY19)</strong></td>
<td><strong>$16,368,880</strong></td>
</tr>
</tbody>
</table>

- The financial impact of the growth in sports medicine volume is projected to be $16.3 M over the 10-year business plan.
- Return on Investment of 9.5%
Completion of IOSMR Now Vs. The Future

- Planning has been ongoing for the last seven years and moving IOSMR with other potential clinics will only serve to delay this for at least another 3 years.

- Sports Medicine represents a time sensitive opportunity for enhancing patient services, volume and financial success.

- The Institute serves as an extension of the UIHC campus with proximity to the Athletic campus, West High, the Interstate and a growing population in the West part of Iowa City.

- Geographically accessible to the patient population currently served by the rehabilitation therapies in a convenient and easier to access facility.

- Builds upon a strong relationship that has been built between UIHC, the Athletic Department and the associated teams.

- Regardless of the organizations off-site strategies, this site is an ideal location for the IOSMR and also fits within the Universities plan for the Hawkeye campus and sports park.
Next Steps

- Approval recommended by Capital Allocations Committee
  - February 14, 2007
- Present IOSMR concept to Board of Regents Hospital Committee
  - March 2, 2007
- Present “Permission to Proceed with Project Planning” to the Board of Regents, State of Iowa
  - May 1, 2007
- Pending approval of “Permission to Proceed”
  - Seek architectural assistance
  - Develop space program for Board Office approval
  - Pending approval of Program Statement, develop preliminary schematics and budget for Board Approval
  - Pending budget and schematic approval, complete design work
  - Submit project for bid and commence construction
University of Iowa Hospitals and Clinics

FY 2008 Proposed Budget Presentation

Donna Katen-Bahensky
Senior Associate Vice President for Medical Affairs
and Chief Executive Officer – UIHC

JoEllen Browning
Manager, Financial Analyst, UIHC
Table of Contents

• Mission and Vision
• Strategic Initiatives and Critical Success Factors
  – Examples of improvement initiatives
• Patient Service Area
• Drivers of Cost in Healthcare
• FY08 Proposed Budget Numbers
• Conclusion
Mission

• University of Iowa Hospitals and Clinics, in compliance with the Code of Iowa, serves as the teaching hospital and comprehensive healthcare center for the State of Iowa, thereby promoting the health of Iowans regardless of their ability to pay. University of Iowa Hospitals and Clinics, in concert with the University of Iowa health science colleges, functions in support of the health care professionals and organizations in Iowa and other states by:
  – Offering a broad spectrum of clinical services to all patients cared for within the Center and through its outreach programs;
  – Serving as the primary teaching hospital for the University; and,
  – Providing a base for innovative research to improve health care

Vision

• We will be the Midwest hospital that people choose for innovative care, excellent service, and exceptional outcomes. We will be an internationally recognized academic medical center in partnership with the UI Carver College of Medicine
Mission and Imperatives

• **Mission**
  – Quality patient care
  – Focus on education and research
  – UIHC as a high quality academic medical center
  – Strong resource for the State of Iowa

• **Imperatives**
  – Preserve University and State bond ratings
  – Continue to fund capital needs without State support
  – Replace aging facilities and equipment
  – Invest in new technology
### Aggregate Patients Served by County 2005-2006

#### MAP 1086-9/2006

**TOTAL - 701,229**

#### AGGREGATE PATIENTS SERVED

- 1-500 AGGREGATE VISITS (25 COUNTIES)
- 501-1,000 AGGREGATE VISITS (25 COUNTIES)
- 1,001-2,500 AGGREGATE VISITS (13 COUNTIES)
- 2,501-5,000 AGGREGATE VISITS (14 COUNTIES)
- 5,001-OVER AGGREGATE VISITS (21 COUNTIES)
- HOME OF THE U.I.H.C.

#### ADMISSIONS

<table>
<thead>
<tr>
<th>County</th>
<th>Admissions</th>
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<tbody>
<tr>
<td>Monona</td>
<td>131</td>
</tr>
<tr>
<td>Knox</td>
<td>697</td>
</tr>
<tr>
<td>Winnebago</td>
<td>577</td>
</tr>
<tr>
<td>Hancock</td>
<td>608</td>
</tr>
<tr>
<td>Howard</td>
<td>282</td>
</tr>
<tr>
<td>Washington</td>
<td>231</td>
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<tr>
<td>Mitchell</td>
<td>618</td>
</tr>
<tr>
<td>Cherokee</td>
<td>348</td>
</tr>
<tr>
<td>Pocahontas</td>
<td>398</td>
</tr>
<tr>
<td>Humboldt</td>
<td>684</td>
</tr>
<tr>
<td>Wright</td>
<td>965</td>
</tr>
<tr>
<td>Butler</td>
<td>310</td>
</tr>
<tr>
<td>Bremer</td>
<td>1,950</td>
</tr>
<tr>
<td>Chickasaw</td>
<td>1,393</td>
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<tr>
<td>Faulk</td>
<td>4,693</td>
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<tr>
<td>Black Hawk</td>
<td>5,001</td>
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</table>

#### CLINIC VISITS

<table>
<thead>
<tr>
<th>County</th>
<th>Visits</th>
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<td>Monona</td>
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<td>Knox</td>
<td>3,001</td>
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<tr>
<td>Winnebago</td>
<td>600</td>
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<tr>
<td>Hancock</td>
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<tr>
<td>Howard</td>
<td>1,342</td>
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<tr>
<td>Washington</td>
<td>700</td>
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<td>Mitchell</td>
<td>1,950</td>
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<tr>
<td>Cherokee</td>
<td>3,001</td>
</tr>
<tr>
<td>Pocahontas</td>
<td>600</td>
</tr>
<tr>
<td>Humboldt</td>
<td>1,437</td>
</tr>
<tr>
<td>Wright</td>
<td>1,437</td>
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<tr>
<td>Butler</td>
<td>1,950</td>
</tr>
<tr>
<td>Bremer</td>
<td>1,950</td>
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<tr>
<td>Chickasaw</td>
<td>1,950</td>
</tr>
<tr>
<td>Faulk</td>
<td>1,950</td>
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<tr>
<td>Black Hawk</td>
<td>1,950</td>
</tr>
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</table>

#### REFERRAL SOURCE

<table>
<thead>
<tr>
<th>Source</th>
<th>Admissions</th>
<th>Clinic Visits</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>IOWA COUNTIES</td>
<td>24,691</td>
<td>621,952</td>
<td>646,643</td>
</tr>
<tr>
<td>STATE INSTITUTIONS</td>
<td>270</td>
<td>4,397</td>
<td>4,667</td>
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<tr>
<td>OUT OF STATE</td>
<td>2,321</td>
<td>47,598</td>
<td>49,919</td>
</tr>
<tr>
<td>TOTAL</td>
<td>27,282</td>
<td>673,947</td>
<td>701,229</td>
</tr>
</tbody>
</table>

**SERVICE TO IOWANS**

- Grundy: 1,227
- Hardin: 2,400
- Hamilton: 563
- Hardin: 647
- Webster: 3,105
- Grundy: 1,287
- Clay: 2,055
- Grundy: 1,669
- Black Hawk: 17,583
- Buchanan: 4,985
- Delaware: 2,745

**Out of State**

- 501-1,000 AGGREGATE VISITS (25 COUNTIES)
- 1,001-2,500 AGGREGATE VISITS (13 COUNTIES)
- 2,501-5,000 AGGREGATE VISITS (14 COUNTIES)
- 5,001-OVER AGGREGATE VISITS (21 COUNTIES)
- HOME OF THE U.I.H.C.
Off Site Clinics Providing Patient Care to Iowa Communities 2005-2006

- **MOBILE CHILD HEALTH SPECIALTY CLINICS.** ........................... 95
- **REGIONAL CHILD HEALTH SPECIALTY CENTERS.** ................. 3,287
- **BIRTH TO 5-YEARS** ................................................................. 1,406
- **REGIONAL GENETIC CONSULTATION SERVICE** ......................... 930
- **UI CMS AND HOMECARE** ..................................................... 161,633
- **SPECIALTY CONSULTATION CLINICS** .................................. 30,789
- **FAMILY MEDICINE OUTREACH CLINICS.** .............................. 206

(*NUMBER IN ICON INDICATES DIFFERENT CLINIC TYPES LOCATED AT SITE)  
(**TOTAL VISIT COUNT INCLUDES COMMUNITIES SERVED OUTSIDE OF IOWA)
• 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

• MEDICARE CASE MIX INDEX EXCLUDES DEPT OF PSYCH

** MEDICARE CMI - ALMANAC OF HOSPITAL FINANCIAL OPERATING INDICATORS, 2006 CHIPS, 2005 DATA

ALL ACUTE CMI – ALMANAC OF HOSPITAL FINANCIAL OPERATING INDICATORS, 2005 CHIPS, 2004 DATA

A TEACHING HOSPITAL IS ONE AT WHICH MEDICAL GRADUATES TRAIN AS RESIDENTS.

***UNIVERSITY HEALTH SYSTEM CONSORTIUM CY2006.
Residency & Fellowship Trainees by Specialty
2005-2006

687 RESIDENT AND FELLOW DOCTORS IN TRAINING

490 RESIDENT DOCTORS

- Internal Medicine 74
- Pediatrics 55
- Anesthesiology 53
- Family Practice 16
- Dermatology 13
- Orthopaedics 27
- Radiology 37
- Surgery 28
- Urology 15
- Psychiatry 31
- Obstetrics and Gynecology 16
- Family Dentistry 4
- Neurology 19
- Oral Surgery 10
- Ophthalmology 15
- Otolaryngology 25
- Pathology 20
- Neurosurgery 12
- Occupational Medicine 4
- Medicine/Psychiatry 9
- Family Practice/Psychiatry 8
- Emergency Medicine 14

197 FELLOW DOCTORS

- Medical Subspecialties 137
  - Radiology 31
  - Anesthesiology/Rehabilitation 23
  - Surgery 29
  - Pathology 20
  - Neurology 19
  - Neurosurgery 12
  - Otolaryngology 25
  - Oral Surgery 10
  - Obstetrics and Gynecology 16

- Surgical Subspecialties 29
Strategic Initiatives

Innovative Care
- New and More Efficient Healthcare Delivery Models
- Positioning Select UIHC Clinical Services

Excellent Service
- Patient and Family Satisfaction
- Referring Physician Satisfaction
- Engaged Faculty, Staff and Volunteers

Exceptional Outcomes
- Patient and Staff Safety
- Clinical Outcomes

FY ’08 Critical Success Factors

- Improving service levels and patient satisfaction
- Improving efficiencies and increasing volumes across the clinical enterprise
  - Ambulatory recommendations
  - Surgical Services recommendations
- Financial integrity and capital planning
  - IowaCare funding
  - Completion/Execution of business plans
  - Completion/approval of Facilities Master Plan
- System activation of EPIC, OR, and Radiology Management Systems
Process Improvement Initiatives

• Ambulatory Care
  – Improve patient throughput
  – Continue to build organizational structure that aligns incentives, leadership vision, and definition of success by creating accountability with performance standards and metrics
  – Improve faculty productivity with targets and monitoring, making appropriate use of mid-level providers
  – Develop benchmarked staffing models adjusting levels and responsibility for appropriate complement and skill mix
  – Increase customer service levels by improving the patient and family experience

• Operating Room
  – Improve quality and safety
  – Create more predictability in scheduling while accommodating growth and enhancing the work environment
  – Improve utilization of nursing and anesthesiology faculty, along with increasing case volume
  – Enhance efficiency and reduce costs of supplies and equipment
Process Improvements in the Emergency Treatment Center

• Eric Dickson MD, FAAEM

• Needed to improve service to our patients because
  – Patient visits and admissions from the ETC increased significantly from 2003-2005
  – LOS in the ETC increased from 150 min. to 170 min.
  – The percent of patients waiting 3 hours to be seen increased from 1% to 5%
  – Patient Satisfaction scores were decreasing

• Steps taken
  – Patient to Room ASAP
  – Nurse and Provider to room together
  – Immediate notification to provider when x-rays & labs complete
  – Rapid execution of final disposition
Drivers of Cost in an Academic Healthcare System

- Patients
- Labor
- Patient care
- Buildings and equipment
- Outside regulation
- New technology
- Safety
- Teaching
Cost Drivers

• Patients
  – Visits, procedures, patient days, diagnostic test all ordered by a physician
  – Direct labor related to each encounter
    • Patient in a medical bed will require 8 hours of direct labor from nursing per day
    • Patient in an Intensive Care Unit bed will require 18 hours of direct labor from nursing per day
    • Visit to the Emergency Treatment Center will require about 2.5 hours of direct labor
Cost Drivers (cont’d)

• Labor
  – Supply and demand
    • Pharmacists can work for Walgreens – retail pays more
    • RN can work in a clinic (8-5) no weekends or nights
  – Union agreements – 85% of labor force and 71% of labor cost
  – University benefit structure
    • Holidays and vacation – hours per FTE of work
    • Full-Time Employee of work is 1,760 hours out 2,080 paid – 8 weeks of time away from a job
Cost Drivers (cont’d)

• Patient Care
  – Direct supplies
    • From basic necessities to implants - individually packaged and delivered to the patient
    • New technology
  – Pharmaceuticals
    • Delivery method – individual dose brought to a patient and recorded in the chart
    • Changes in therapeutic agents
  – Patient room
    • Space for equipment, family and medical personnel
Cost Drivers (cont’d)

• Buildings and equipment
  – Acquisition – Cost basis of physical plant is $878 million
    • Construction in progress (CIP) = $88 million
  – Maintenance – 3.5 million square feet
  – Utilities – purchase from University
  – Trained technicians to use and maintain the clinical equipment
Cost Drivers (cont’d)

• Processes required by others
  – Joint Commission on Accreditation of Healthcare Organizations (JCAHO)
    • Medication Reconciliation
  – Medicare
    • Centers for Medicare & Medicaid Services (CMS) Quality Indicators
  – Nuclear Regulatory Commission
    • Radiation Therapy
  – Accreditation Council for Graduate Medical Education (ACGME)
    • 80 hour work week

*There are over 200 regulatory and accrediting bodies that provide oversight for some or all of UIHC*
Cost Drivers (cont’d)

• New technology and innovation
  – Example of new emerging technology
    • Digital mammography - $400,000 vs. $85,000
    • IV pumps - $7.4 million
    • 64 Slice CT with Bariatrics package - $2.7 million

• Safety
  – Ergonomic equipment
  – Electronic Medical Administration Record (EMAR)
  – Bariatric rooms

• Teaching
  – Number of residents, fellows, RN’s and other professionals in training
FY 2008 Proposed Budget

• For Fiscal Year 2007-2008
  – 6.0% rate increase
  – 4.0% operating margin
  – 11.6% EBDITA
  – Achieve Aa rating medians for S&P and Moody’s
Aa Bond Rating Key Financial Ratio Comparison

<table>
<thead>
<tr>
<th></th>
<th>UIHC FY 08 Budget*</th>
<th>Median Moody’s Aa Rating**</th>
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</thead>
<tbody>
<tr>
<td>Days Cash on Hand</td>
<td>265.0</td>
<td>253.4</td>
</tr>
<tr>
<td>EBDITA Margin</td>
<td>11.6%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Debt to Capitalization Percent</td>
<td>7.7%</td>
<td>31.3%</td>
</tr>
<tr>
<td>Days in Accounts Receivable</td>
<td>47.0</td>
<td>52.4</td>
</tr>
<tr>
<td>Average Age of Plant</td>
<td>8.2</td>
<td>9.1</td>
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</tbody>
</table>

* UIHC data reflects the issuance of $50 million in debt.

** Data is compiled from Moody’s Investors Service publication “Not for Profit Healthcare: 2007 Preliminary Medians.”
Key Expense and Inflation Assumptions

- Salaries and wages (Contracts for SEIU, AFSCME) 5.5%
- Patient care supplies (Novation pricing report) 4.0%
- Departmental supplies (Novation pricing report) 4.5%
- Drugs (American Journal of Health-System Pharmacy) 7.0%
- Utilities (Purchase from UI including capital facility costs) 9.0%
- Professional services 2.5%
- Medical services (Novation pricing report) 4.0%
- Food products (USDA pricing estimate) 3.5%
FY 2008 Operating Budget Assumptions

Income Statement

• Volume growth
  – Inpatient admissions 2.0% increase
  – Outpatient visits 2.0% increase

• Earnings Before Depreciation, Interest, Taxes, and Amortization (EBDITA)
  – Margin budgeted at 11.6% or EBDITA of $97.8 million

• Operating margin budgeted at 4.0%, or operating income of $33.7 million
  – Equal to the Moody’s Aa median rating
  – Margin is required to generate future capital capacity and fund current capital plans
  – Maintain cash liquidity as measured by days cash on hand
FY 2008 Operating Budget Assumptions (cont’d)

Balance Sheet

• Net days in patient accounts receivable at 47 days
  – Reflective of improved revenue cycle performance

• Assumes issuing $50 million of revenue bonds
  – Brings debt to capitalization ratio to 7.7%
  – Significantly below the Aa median of 31.3%

• Days cash on hand at year-end projected to be 265 days
  – Aa median of 253 days (assumes the issue of $50 million in proposed revenue bonds, days cash on hand will be 240 if bonds are not issued)
### Six Year Summary Operating Indicators

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<tr>
<td><strong>Acute Admissions</strong></td>
<td>24,104</td>
<td>25,384</td>
<td>25,063</td>
<td>26,030</td>
<td>27,189</td>
<td>27,733</td>
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<tr>
<td><strong>Length of Stay</strong></td>
<td>7.24</td>
<td>6.94</td>
<td>6.99</td>
<td>6.64</td>
<td>6.68</td>
<td>6.40</td>
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<tr>
<td><strong>Surgical Cases</strong></td>
<td>20,269</td>
<td>20,644</td>
<td>20,820</td>
<td>21,008</td>
<td>21,764</td>
<td>22,635</td>
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<tr>
<td><strong>Clinic Visits</strong></td>
<td>631,443</td>
<td>669,045</td>
<td>668,456</td>
<td>673,947</td>
<td>692,637</td>
<td>706,878</td>
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<tr>
<td><strong>Market Share</strong></td>
<td>6.7%</td>
<td>7.0%</td>
<td>6.9%</td>
<td>7.1%</td>
<td>7.0%</td>
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<tr>
<td><strong>Net Patient Revenue</strong></td>
<td>$546.0M</td>
<td>$590.0M</td>
<td>$624.3M</td>
<td>$688.0M</td>
<td>$753.4M</td>
<td>$787.3M</td>
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<td><strong>EBDITA</strong></td>
<td>$50.0M</td>
<td>$51.5M</td>
<td>$71.9M</td>
<td>$82.3M</td>
<td>$105.2M</td>
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<td><strong>EBDITA Margin</strong></td>
<td>8.3%</td>
<td>8%</td>
<td>10.6%</td>
<td>11.1%</td>
<td>13.1%</td>
<td>11.6%</td>
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<tr>
<td><strong>Operating Income</strong></td>
<td>$8.5M</td>
<td>$10.2M</td>
<td>$20.5M</td>
<td>$27.3M</td>
<td>$46.7M</td>
<td>$33.7M</td>
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<td><strong>Operating Margin</strong></td>
<td>1.4%</td>
<td>1.6%</td>
<td>3.0%</td>
<td>3.7%</td>
<td>5.8%</td>
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<td><strong>Case Mix Index</strong>*</td>
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<td></td>
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<td></td>
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<tr>
<td><strong>All Acute Inpatients</strong></td>
<td>1.6272</td>
<td>1.5950</td>
<td>1.6384</td>
<td>1.6920</td>
<td>1.7090</td>
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<tr>
<td><strong>Medicare Inpatients</strong></td>
<td>1.8182</td>
<td>1.7822</td>
<td>1.8734</td>
<td>1.8797</td>
<td>1.9485</td>
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* All years presented exclude newborn nursery utilization.
** Net Patient Revenue includes (FY03-FY05) State Indigent Care Appropriation and (FY06-FY08) Iowa Care receipts.
*** Case mix index is a national (Medicare) measure of inpatient severity, where the average case intensity is 1.0.
UIHC FY 2008 Proposed Budget in 000’s

<table>
<thead>
<tr>
<th></th>
<th>Budget FY 2008 Proposed</th>
<th>Projected FY 2007</th>
<th>Actual FY 2006</th>
<th>FY08 to Proj FY07</th>
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<tr>
<td></td>
<td></td>
<td></td>
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<td>Variance $</td>
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<tr>
<td>Net Patient Revenues</td>
<td>$ 787,285</td>
<td>$ 753,394</td>
<td>$ 688,004</td>
<td>$ 33,892</td>
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<tr>
<td>State Appropriations</td>
<td>13,406</td>
<td>13,406</td>
<td>13,406</td>
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<tr>
<td>Other Operating Income</td>
<td>39,166</td>
<td>38,399</td>
<td>38,918</td>
<td>768</td>
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<tr>
<td>Total Net Revenue</td>
<td>$ 839,858</td>
<td>$ 805,199</td>
<td>$ 740,329</td>
<td>$ 34,660</td>
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<tr>
<td>Operating Expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, Wages &amp; Benefits</td>
<td>$ 422,812</td>
<td>$ 401,369</td>
<td>$ 370,913</td>
<td>$ 21,442</td>
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<tr>
<td>Supplies and Drugs</td>
<td>165,688</td>
<td>155,305</td>
<td>141,318</td>
<td>10,383</td>
</tr>
<tr>
<td>Med. &amp; Professional Services</td>
<td>71,378</td>
<td>65,635</td>
<td>70,776</td>
<td>5,743</td>
</tr>
<tr>
<td>Repairs and Maintenance</td>
<td>14,535</td>
<td>14,180</td>
<td>13,583</td>
<td>355</td>
</tr>
<tr>
<td>Rents and Leases</td>
<td>5,678</td>
<td>5,540</td>
<td>4,665</td>
<td>138</td>
</tr>
<tr>
<td>Utilities</td>
<td>23,574</td>
<td>21,628</td>
<td>21,219</td>
<td>1,946</td>
</tr>
<tr>
<td>General Expenses</td>
<td>$ 38,409</td>
<td>$ 36,297</td>
<td>$ 35,571</td>
<td>2,113</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$ 742,075</td>
<td>$ 699,954</td>
<td>$ 658,044</td>
<td>$ 42,121</td>
</tr>
<tr>
<td>EBDITA</td>
<td>$ 97,784</td>
<td>$ 105,244</td>
<td>$ 82,285</td>
<td>$ (7,461)</td>
</tr>
<tr>
<td>EBDITA %</td>
<td>11.6%</td>
<td>13.1%</td>
<td>11.1%</td>
<td></td>
</tr>
<tr>
<td>Total Depreciation &amp; Amortization</td>
<td>$ 64,121</td>
<td>$ 58,583</td>
<td>$ 54,979</td>
<td>$ 5,538</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$ 33,662</td>
<td>$ 46,661</td>
<td>$ 27,306</td>
<td>$ (12,999)</td>
</tr>
<tr>
<td>Operating Income %</td>
<td>4.0%</td>
<td>5.8%</td>
<td>3.7%</td>
<td></td>
</tr>
<tr>
<td>Non-recurring Items</td>
<td>-</td>
<td>-</td>
<td>10,709</td>
<td>-</td>
</tr>
<tr>
<td>Gain (Loss) on Investments</td>
<td>20,623</td>
<td>22,138</td>
<td>10,328</td>
<td>(1,514)</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>$ 54,286</td>
<td>$ 68,799</td>
<td>$ 48,342</td>
<td>$ (14,513)</td>
</tr>
<tr>
<td>Net Income %</td>
<td>6.3%</td>
<td>8.3%</td>
<td>6.4%</td>
<td></td>
</tr>
</tbody>
</table>
UIHC Cost Structure
FY 2008 Proposed Budget

Staffing costs comprise over half of UIHC expenses; the majority of dollars spent are for staff covered by bargaining unit.
## Summary FY2008 Inflation and Volume Impact

### Expense Increases Over FY 2007 Projected

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost Due to Inflation</th>
<th>Cost Due to Volume Increases</th>
<th>Inflation &amp; Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages- SEIU, AFSCME and other</td>
<td>$16.3</td>
<td>$6.3</td>
<td>$22.6</td>
</tr>
<tr>
<td>Benefits</td>
<td>9.3</td>
<td>2.3</td>
<td>11.6</td>
</tr>
<tr>
<td>Supplies – 4% inflation</td>
<td>3.7</td>
<td>2.0</td>
<td>5.7</td>
</tr>
<tr>
<td>Drugs – 7% inflation</td>
<td>4.4</td>
<td>1.3</td>
<td>5.7</td>
</tr>
<tr>
<td>Utilities – 9% inflation</td>
<td>1.9</td>
<td></td>
<td>1.9</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>5.5</td>
<td></td>
<td>5.5</td>
</tr>
<tr>
<td>Other Operating Expense – 2.5-4.0% inflation</td>
<td>7.3</td>
<td>1.3</td>
<td>8.6</td>
</tr>
<tr>
<td><strong>Total Expense Growth</strong></td>
<td><strong>$48.4</strong></td>
<td><strong>$13.2</strong></td>
<td><strong>$61.6</strong></td>
</tr>
</tbody>
</table>
Improving Efficiencies

- **Length of Stay Management**
  - Decrease in average length of stay from 6.68 to 6.40 days
  - Results in reduction of 7,765 patient days, $13.8 million reduction in charges, $1.7 million reduction in net revenue, and $4.0 million in expense savings for net benefit of $2.3 million

- **Productivity**
  - 2.0% productivity improvement yields $6.4 million in labor savings and $2.3 million in benefits savings, totaling $8.7 million in savings
  - No increase in agency utilization. UIHC agency experience, especially in nursing, is dramatically below other academic medical center experience
Improving Efficiencies (cont’d)

• Supply Chain Management
  – Search is underway to hire a Director of Supply Chain Management to optimize supply chain efforts and implement an inventory control system

• Pharmacy and Therapeutics Committee
  – Continue ongoing efforts to effectively maintain an infrastructure for monitoring drug utilization and costs

• Ambulatory Care Division
  – Implement recommendations of the outside consultation to improve access and efficiency in the provision of outpatient services, in collaboration with Carver College of Medicine

• Operating Room Efficiency
  – Implement recommendations from a nationally recognized Operating Room management consultant to enhance the scheduling, turn around times, supply costs, and other components of the surgical services suite
### Summary FY2008 Inflation, Volume, and Efficiency Impact

Expense Increases Over FY 2007 Projected

<table>
<thead>
<tr>
<th>Expense Description</th>
<th>Cost Due to Inflation</th>
<th>Cost Due to Volume Increases</th>
<th>Efficiency Initiatives</th>
<th>FY 2008 Budgeted Cost Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages- SEIU, AFSCME and other</td>
<td>$16.3</td>
<td>$6.3</td>
<td>$(9.3)</td>
<td>$13.3M</td>
</tr>
<tr>
<td>Benefits</td>
<td>9.3</td>
<td>2.3</td>
<td>(3.4)</td>
<td>8.2M</td>
</tr>
<tr>
<td>Supplies – 4% inflation</td>
<td>3.7</td>
<td>2.0</td>
<td>(1.0)</td>
<td>4.7M</td>
</tr>
<tr>
<td>Drugs – 7% inflation</td>
<td>4.4</td>
<td>1.3</td>
<td></td>
<td>5.7M</td>
</tr>
<tr>
<td>Utilities – 9% inflation</td>
<td>1.9</td>
<td></td>
<td></td>
<td>1.9M</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>5.5</td>
<td></td>
<td></td>
<td>5.5M</td>
</tr>
<tr>
<td>Other Operating Expense – 2.5-4.0% inflation</td>
<td>7.3</td>
<td>1.3</td>
<td>(0.2)</td>
<td>8.4M</td>
</tr>
<tr>
<td>Total Expense Growth</td>
<td>$48.4</td>
<td>$13.2</td>
<td>$(13.9)</td>
<td>$47.7M</td>
</tr>
</tbody>
</table>
# Who pays for healthcare in Iowa?

<table>
<thead>
<tr>
<th>[000's]</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expense</td>
<td>$ 755,977</td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>64,121</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>33,662</td>
</tr>
<tr>
<td>Required Net Operating Revenue</td>
<td>853,760</td>
</tr>
</tbody>
</table>

**Paid by Existing Patients - current rates**
- Governmental Payors: 266,539
- Wellmark/Blue Cross: 218,708
- Commercial Payors: 194,017
- Iowa Care: 40,000
- State Appropriations: 13,406
- Self Pay: 3,960
- All Other: 30,170

Paid by New Patients - current rates
- Governmental Payors: 4,722
- Wellmark/Blue Cross: 4,426
- Commercial Payors: 3,927
- Iowa Care: 860
- State Appropriations: -
- Self Pay: 80
- All Other: 561

Paid by Contracted Rate Increase
- Governmental Payors: 5,240
- Wellmark/Blue Cross: 6,115
- All Other: 516

**Other Operating Revenue** : 39,166

**Total Patient and Other Operating Revenue** : 832,412

**Expense Savings from Efficiency Efforts** : 13,902

**Net Cost Covered by 6% Charge Rate Increase** : $ 7,446
## Summary FY2008 Rate and Volume Revenue Impact
Increases Over FY 2007 Projected

<table>
<thead>
<tr>
<th>Category</th>
<th>Rate</th>
<th>Volume</th>
<th>FY 2008 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare – payment update factor of 2.65%</td>
<td>$5.2M</td>
<td>$3.3M</td>
<td>$8.5M</td>
</tr>
<tr>
<td>Medicaid – no increase</td>
<td>0.0</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>IowaCare – no increase</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>State Institution Patients – no payment for services</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Wellmark – payment update factor of 3.0%</td>
<td>6.1</td>
<td>4.4</td>
<td>10.5</td>
</tr>
<tr>
<td>Others – Commercial, Managed Care, and Self Pay</td>
<td>8.0</td>
<td>5.5</td>
<td>13.5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$19.3M</strong></td>
<td><strong>$14.6M</strong></td>
<td><strong>$33.9M</strong></td>
</tr>
</tbody>
</table>
Combined Hospitals Sources and Uses
FY08 Proposed Budget

Net Patient Revenue
$747,285,803
89.0%

Other Operating Revenue
$39,166,473
4.7%

Psychiatric Hospital
$7,043,056
0.8%

CDD
$6,363,274
0.8%

Iowa Care Act
$40,000,000
4.5%

Utilities and Repairs
$38,108,933
4.5%

Margin Reserve
$33,662,347
4.0%

Depreciation and Amortization
$64,121,159
7.6%

Medical Supplies and Services
$281,154,285
33.6%

Staffing Costs
$422,811,503
50.3%

EBDITA $81.0 Million

FY08 TOTAL = $839,858,227
### Other Operating Revenue
#### FY 2008 Budget

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gifts &amp; Grants</td>
<td>$8.5M</td>
</tr>
<tr>
<td>Food Sales</td>
<td>8.4M</td>
</tr>
<tr>
<td>External Drug Sales</td>
<td>0.6M</td>
</tr>
<tr>
<td>Other External Sales</td>
<td>3.2M</td>
</tr>
<tr>
<td>Purchased Services – Related Party</td>
<td>18.5M</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$39.2 M</strong></td>
</tr>
</tbody>
</table>
Gross Patient Charges By Primary Payor

- Medicare: 29.4%
- Commercial: 16.6%
- Medicaid: 12.8%
- IowaCare: 6.5%
- Wellmark: 27.0%
- Wellmark UI Family: 3.8%
- State Inst/Corrections: 1.0%
- Self Pay & Other: 6.7%

Reimbursement By Primary Payor

- Medicare: 23.2%
- Commercial: 25.9%
- Medicaid: 12.7%
- IowaCare: 4.9%
- Wellmark: 28.9%
- Wellmark UI Family: 4.1%
- Wellmark Commercial: 24.8%
- State Inst/Corrections: 0%
- Self Pay & Other: 4.4%

Year to Date February, 2007
Includes Inpatient and Outpatient Services
1997 – 2007 Cumulative Medicare Hospital Rate Increases vs. Marketbasket Cost Increases

CMS Published Rule and Iowa Hospital Association Impact Analysis
Relationship of $1 in Charges to Net Revenue

- **Net Patient Revenues**: $0.47
- **Contractuals / Adjustments**: $0.49

Other deductions:
- Bad Debt, Charity – Program: $0.04
Net Patient Revenue** per Adjusted Admission

* Benchmark is the 50th percentile of the University Health System Consortium for the two quarters ended December 2006 of $16,121 plus an estimated 3% annual increase.

** Net paying patient revenue includes Chapter 255 state indigent patient care program appropriation or Iowa Care Act receipts.
Midwest Academic Medical Centers
Case Mix Adjusted Charges per Discharge CY 2006

Source: University Healthsystem Consortium, case mix adjusted average charges per inpatient discharge.
Operating Cost per Adjusted Discharge

*Benchmark is the 50th percentile of the University Health System Consortium for the two quarters ended December 2006 of $15,321 plus 2007 Midwest Medical Care CPI of 4.2% annually.
Conclusions

• UIHC remains committed to providing healthcare for all Iowans

• UIHC has a mission to provide high quality care, education and research

• In fulfilling this mission, UIHC incurs costs for labor, equipment, supplies and pharmaceuticals

• UIHC must have funds available for capital both now and in the future

• To cover these costs, UIHC is dependent on revenue from third party payors, state appropriations, governmental payors, and self payments

• To supplement these revenues, UIHC continually increases volumes, improves productivity, enhances efficiency, and manages labor, supply and drug costs

• Even with these initiatives the end result is the need for increasing rates – UIHC is requesting a 6% rate increase for FY 2007-2008 and preliminary action on its FY 2008 Operating Budget
IowaCare and Legislative Update

Donna Katen-Bahensky
Senior Associate Vice President for Medical Affairs
and Chief Executive Officer - UIHC

Stacey Cyphert
Special Advisor to the President,
Special Advisor to the Dean of CCOM,
Senior Assistant Hospital Director
IowaCare & Chronic Care Enrollment
(Net of Disenrollments)
From Inception on July 1, 2005 Thru March 31, 2007

FY 07 IowaCare enrollment appears to have stabilized in the mid 16,000s.

Enrollment in each month of FY 07 has been greater than each month of FY 06.
These patients account for 42,021 visits.

Total includes patients whose residence appears to be outside Iowa. It also includes patients for whom a claim has not yet been submitted to DHS.
IowaCare Enrollment is Still Substantial in Polk County But Declining as an Overall Percentage

- IowaCare beneficiaries residing in Polk County have the option of receiving care at Broadlawns Medical Center or the University of Iowa Hospitals and Clinics.

- In FY 05 the average number of IowaCare and Chronic Care enrollees each month from Polk County represented 39.3% of the overall average number of IowaCare and Chronic Care enrollees. In FY 06 the average number of IowaCare and Chronic Care enrollees each month from Polk County represented 34.1% of the overall average number of IowaCare and Chronic Care enrollees. This implies more and more patients enrolling in IowaCare must receive treatment at the University of Iowa Hospitals and Clinics.

- 495 unique IowaCare patients from Polk County have been seen at the University of Iowa Hospitals through March 31, 2007. These patients account for 1,886 visits.
Supplemental IowaCare Funding Forthcoming for the University of Iowa Hospitals and Clinics

- Funding dedicated for IowaCare FY 07 payments to the University of Iowa Hospitals and Clinics ($27.3 M appropriation plus $3.7 M carry-forward from FY 06) was exhausted in April.

- SF 403, *An Act addressing financial and regulatory matters by making and revising appropriations, providing for properly related matters, and providing effective dates*, authorizes up to $10 M in additional payments for the University of Iowa Hospitals and Clinics based on claims submitted for IowaCare patients served in FY 07.

- Moneys appropriated that remain unencumbered or unobligated at the close of FY 07 shall not revert but shall remain available for expenditure for the purposes designated until the close of FY 08.

- None of the supplemental payments will be made to cover expenses associated with the pilot pharmaceutical and durable medical equipment programs operated by the University of Iowa Hospitals and Clinics.
UI Hospitals and Clinics Has Self-Funded Pilot Pharmaceutical and Durable Medical Equipment Programs in FY 07

- August 14, 2006, the University of Iowa Hospitals and Clinics implemented pilot programs without reimbursement to facilitate IowaCare beneficiary access to pharmaceuticals and durable medical equipment.

- Through the end of March, 2007:
  - Over 70,000 prescriptions have been filled at a cost for drugs, labor and shipping of approximately $2.4 M.
  - Over 7,100 durable medical equipment items have been provided at a cost in excess of $236,000.

- Given growth in the pilot pharmaceutical program utilization over time, the University of Iowa Hospitals and Clinics projects it could cost nearly $3.7 M to provide this service alone for all of FY 08.

- A decision on the future of the pilot programs needs to be made should pharmaceutical and durable medical equipment not be included as covered benefits under IowaCare for FY 08.
UI Hospitals and Clinics Has Subsidized Patient Transportation Services Throughout FY 07

- The University of Iowa Hospitals and Clinics is paid $0.30 per mile for patient transportation it provides on a voluntary basis to and from an IowaCare beneficiaries’ home using its fleet of 10 vans. This payment rate is substantially below the University of Iowa Hospitals and Clinics’ costs of providing this service.

- Through the end of March, 2007:
  - Over 466,000 miles have been traveled to make 1,482 round trips to serve in excess of 5,450 patients.
  - Costs have exceeded reimbursement by approximately $560,000.

- A decision on the future of the University of Iowa Hospitals and Clinics continuation of voluntary provision of patient transportation at reimbursement below costs needs to be made. There are savings that result as a result of expedited discharges. It is not anticipated that full cost reimbursement for transportation will be included as part of IowaCare for FY 08.
The University of Iowa Hospitals and Clinics Self-Funds an IowaCare Assistance Center to Facilitate Delivery of Services

- The Center provides patients and care providers with information about the IowaCare program and covered services, application forms and information about local lodging and transportation options.

- The Center is directed by Peggy O’Neill, R.N., MSN. Janet Schlechte, M.D., serves as Medical Director. Several registered nurses with case management training staff the Center.

- The Center’s phone number is (319) 356-1000.

- Annual cost to the University of Iowa Hospitals and Clinics to operate the Center is approximately $600,000.

- The University of Iowa Hospitals and Clinics plans to continue operation of this Center.
Several Changes to the IowaCare Program Are Under Consideration By the Iowa General Assembly

- Deleting premium payment obligations for expansion population members whose family income is equal to or less than 100% of the federal poverty level.

- Potentially reducing enrollment in IowaCare by increasing the earned income disregard for parents in the family investment program so that more will qualify for Medicaid.

- Including authorization for the Department of Human Services in FY 08 to reimbursement the University of Iowa Hospitals and Clinics for up to $10 M in services provided above and beyond the initial $27.3 M appropriation plus any carry-forward from FY 07.

- Instructing the Director of the Department of Human Services to “aggressively pursue” options to expand the IowaCare provider network if sufficient unencumbered local matching funds or alternative funding sources are available to cover the state share of the costs of services provided.
Carver College of Medicine Physicians Are Not Reimbursed for Services Provided to IowaCare Beneficiaries

- Per the laws of the 81st General Assembly, 2005 Session, CH. 167 (HF 841), Sec. 47(4), “…a physician or surgeon who provides treatment or care for an expansion population member pursuant to chapter 249J shall not charge or receive any compensation for the treatment or care except the salary or compensation fixed by the state board of regents to be paid from the hospital fund.”

- The inability to seek reimbursement for IowaCare services provided means the Carver College of Medicine must generate salary dollars from other sources. Given volume levels under IowaCare are significantly greater than volume levels under the State Papers program, the challenge to the Carver College of Medicine has been magnified.

- For FY 07 is it estimated Carver College of Medicine physicians will forgo $13.5 M in reimbursement at Iowa Medicaid rates. Changing the prohibition on reimbursement needs to be considered.

- Any plan to expand the IowaCare provider network, which the University of Iowa Hospitals and Clinics and Carver College of Medicine do not oppose, must treat all network providers fairly – if physicians in the expanded network are permitted to bill for IowaCare services so too must Carver College of Medicine physicians.
Neither the University of Iowa Hospitals and Clinics nor the Carver College of Medicine Physicians Are Reimbursed for Services Provided to State Institution Patients

• Per the laws of the 81st General Assembly, 2005 Session, CH. 167 (HF 841), Sec. 50 & 51, state institutions may send residents for care at the University of Iowa Hospitals and Clinics without incurring costs for the care provided (state institutions are responsible for travel and attendant costs).

• At Iowa Medicaid reimbursement rates, it is estimated for FY 07 that the University of Iowa Hospitals and Clinics will forgo $5.1 M and the Carver College of Medicine physicians will forgo an additional $1.5 M.

• Permitting the University of Iowa Hospitals and Clinics and Carver College of Medicine physicians to be reimbursed for services rendered to state institution patients at least at Iowa Medicaid reimbursement rates should be taken under advisement for future years.
A 28E Agreement Pertaining to IowaCare in FY 08 Needs to Be Negotiated

- Per the laws of the 81st General Assembly, 2005 Session, CH. 167 (HF 841), Sec. 25(7), the State Board of Regents, on behalf of the University of Iowa Hospitals and Clinics, and the Department of Human Services, shall execute a 28E agreement annually with respect to IowaCare.


- Negotiations with the Department of Human Services will begin once Governor Culver has signed all relevant IowaCare-related legislation.
CEO Remarks

Donna Katen-Bahensky
Senior Associate Vice President for Medical Affairs
and Chief Executive Officer - UIHC
CEO Remarks

• Recruitment Update
  – Division of Plastic Surgery - Jessica Gillespie, MD
  – Pediatric Cardiac Surgeon – James Davis, MD
  – Chief Financial Officer
  – Chief Nursing Officer

• Accreditation
  – Pediatric Echocardiography Laboratory of University of Iowa Children’s Hospital – granted reaccreditation by the Intersocietal Commission for the Accreditation of Echocardiography Laboratories (ICAEL)

• New Initiatives
  – DJ Sullivan
  – 3 JCP Opening
  – Ambulatory Surgery Center Opening
Ambulatory Surgery Center
Ambulatory Surgery Center Opening

Ribbon Cutting Ceremony

Dr. Amir Arbisser providing remarks
CEO Remarks

• Awards and Recognition
  – Iowa Medical Society’s Merit Award – Charles Helms, MD
  – National Institute of Standards and Technology, Baldrige Senior Examiner – Debbie Thoman
  – University of Iowa Children’s Hospital – received designation as a member of the United Resource Networks Neonatal Center of Excellence network
  – Doctor’s Day – March 30th, 2007