

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Meeting of the Board of Regents as the Trustees
of the University of Iowa Hospitals and Clinics
Date: January 31, 2000

Recommended Action:

1. Receive the report on the University of Iowa Hospitals and Clinics (UIHC).

Executive Summary:

The Board of Regents, in its role as Trustees of the University of Iowa Hospitals and Clinics, will be provided a quarterly report on the operations of the UIHC. Areas to be covered in this report are: 1) Quarterly Update on UIHC Operations, Programs and Finances; and Project for Development of Replacement Perinatal and Obstetrical Patient Care Units; 2) Clinical Outreach Services for Iowa Communities; and, 3) tour of Otolaryngology-Head and Neck Surgery Institute.

Complete material on the agenda and the exhibits is included in a separate UIHC docket. A brief summary of the agenda is provided below.

- Quarterly Update on UIHC Operations, Programs and Finances

UIHC's solid performance continued in the initial months of FY 1999-2000, despite a continuation of nationwide trends that are challenging healthcare providers. This performance can be attributed to timely actions that have enabled UIHC to anticipate and adjust to volatile and highly competitive market forces and thus mitigate negative effects. From July 1, 1999 to November 30, 1999, clinic visits increased 6.6%. Acute inpatient admissions decreased 1.2% compared to the same period of FY 1999. The average length of inpatient stays declined 2.8% and inpatient days totaled 4% below a year ago. The source of reimbursement for care provided to patients continued to shift from traditional insurance programs to managed care. Total revenue increased 1.6% compared to the July through November period of FY 1999. UIHC's operating margin during the first five months of FY 2000 was 6.1%, versus 7.4% in the comparable period of FY 1999.

Background and Analysis:

From July 1, 1999 to November 30, 1999:

- The 302,238 combined total of clinic visits is an increase of 6.6% compared to the 283,465 clinic visits of the preceding year.
- The number of acute care admissions was generally stable, declining by 1.2% to 9,805. The number of outpatients who are admitted for overnight observation and other non-acute care declined 4.8%. Total admissions at 16,789 were 2.7% below the 17,260 recorded in the same period a year earlier.
- The case mix index, which indicates the severity of illness and complexity of care required by acute inpatients at UIHC, was unchanged from the same period of FY 1999. However, the case mix index for Medicare patients was 2.6% higher in the initial months of the current fiscal year.
- The average length of acute patients' stay in the hospital decreased 2.8% to 7.24 days.
- Net revenue from serving paying patients, at \$177,002,654, was 1.2% greater than the same period last year. Total revenue from all operating sources, at \$208,140,239, was 1.6% more than the comparable months of FY 1999. The operating margin declined from 7.4% to 6.1%.
- The amount of reimbursement to UIHC for patient care among health insurance payers continues to shift to managed care which now comprises 27.1% of gross patient charges, compared to 24.5% for the same period last year. However, the number of managed care patients increased even more, as follows:

	<u>Managed Care Patient Percent of Total Patients</u>	
	<u>July-Nov FY 1999</u>	<u>July-Nov FY 2000</u>
Acute Patient Discharges	27.4%	29.5%
Clinic Visits	30.5%	33.1%

The disparity demonstrates the reduced payment and reduced utilization UIHC experiences with the managed care payer group. Managed care is now second only to Medicare as the source of health care coverage for UIHC patients.

- Project for Development of Replacement Perinatal Obstetrical Patient Care Units

In accordance with the long-range capital replacement plan, UIHC is now prepared to replace obsolescent and constricted perinatal and obstetrical inpatient care units that are primarily located on the fourth level, west wing of the 1926 vintage General Hospital. Replacement units will be developed on the sixth, seventh and eighth levels of the contemporary John Pappajohn Pavilion. This project is also a strategic component for continued integration of staff and patient care units of the Children's Hospital of Iowa.

- Clinical Outreach Services for Iowa Communities

Upon request from community-based health care providers, UIHC extends the expertise of its clinical staff by conducting outreach clinics and educational programs in those communities. As of July, 1999, 113 outreach clinics were being conducted in 33 Iowa communities.

UIHC staff conducting the clinics provide consultation to community-based physicians and their patients as well as continuing education for physicians, nurses, paramedics and other health care disciplines in the region. The UIHC outreach also seeks to form supportive linkages to the community for health fairs and other education to enhance the preventive health care awareness of the general public.

- Tour of Otolaryngology-Head and Neck Surgery Institute – February 9, 2000

The ambulatory patient clinic, faculty offices and support facilities for the Department of Otolaryngology-Head and Neck Surgery are among the few clinical department accommodations that remain in the 1926 vintage General Hospital building. This clinical department, consistently ranked among the top 10 in the United States, will now serve its patients in facilities that are consistent with and complement the documented excellence of the department's internationally acclaimed medical expertise.

Robert J. Barak

Approved:

Frank J. Stork