



THE UNIVERSITY OF NORTH DAKOTA



The University of North Dakota

School of Medicine & Health Sciences

Presentation to the Legislative Audit and Fiscal Review Committee.

Representative Bob Skarpol, Chairman

February 26, 2008

Legislative Audit and Fiscal Review Committee (LAFR)
26-Feb-08

The SMHS was asked for a report that included:

Status of EACH of the CFMs for the biennium ending June 30, 2007

Revenues for the biennium by source of funds.

Summary of expenses for the period

Net Losses

Deficit fund balances as of June 30, 2007

Status of Accounts Receivables as of June 30, 2007

Source of AR

Status of collection

Any updated financial information of CFMs

CFM's are both Fully Accredited

Minot CFM - Began in 1975

Current Accreditation:

April 2004 - April 2009

Bismarck CFM - Began in 1976

Current Accreditation:

September 2007 granted until September 2011

Placement of CFM Graduates

Minot CFM

Total Graduates 131

Placement in ND 56

Currently in Minot - 12 of 22 Family Physicians

Current 3rd Year Residents: 2 to Minot, 1 to Cando

Bismarck CFM

Total Graduates 127

Placement in ND 85

Currently in Bismarck - 35 of 41 Family Physicians

Current 3rd Year Residents: 4 of 5 to Bismarck/Mandan

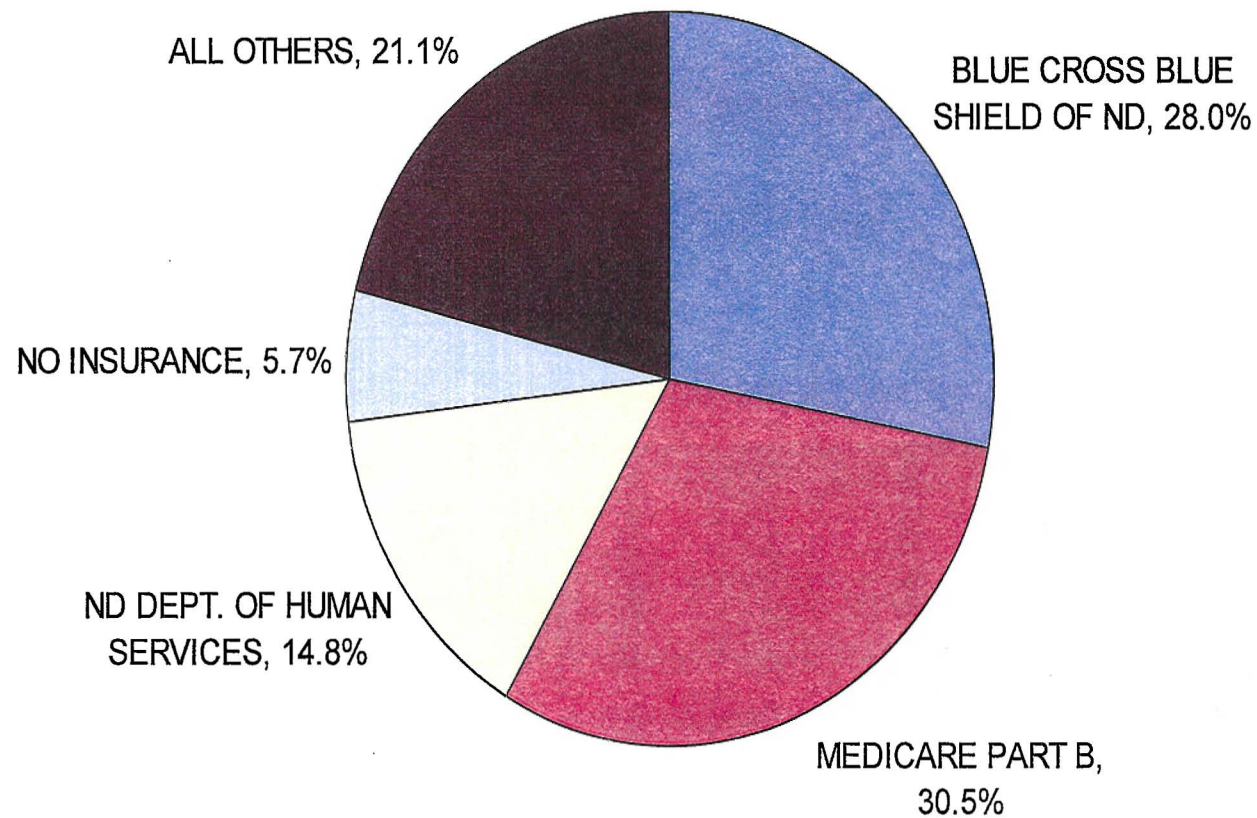
Centers for Family Medicine Full-Time Equivalent Faculty, Residents and Staff

	<u>Bismarck CFM</u>	<u>Minot CFM</u>	<u>Minot Pharmacy</u>	<u>Total CFMs</u>
Faculty	4.6	5	0	9.6
Residents	15	15	0	30
Staff	<u>18.1</u>	<u>26.6</u>	<u>2.2</u>	<u>46.9</u>
Total	37.7	46.6	2.2	86.5

Centers for Family Medicine Patient Care Data

	<u>Bismarck</u> <u>CFM</u>	<u>Minot</u> <u>CFM</u>	<u>Total</u>
Annual Patient Encounters	11,844	18,093	29,937
Annual Prescriptions Filled at Minot Pharmacy	25,267		

Total CFM's FY07 Payor Mix



**Centers for Family Medicine
Service to North Dakota Citizens**

Estimated FY08 Revenue Write-Offs

	<u>Bismarck CFM</u>	<u>Minot CFM</u>	<u>Total</u>
Medicare	\$ 257,000	\$ 447,000	\$ 704,000
Medicaid	<u>\$ 112,000</u>	<u>\$ 284,000</u>	<u>\$ 396,000</u>
Total	\$ 369,000	\$ 731,000	\$ 1,100,000

CFMs Fluctuations in Financial Outcomes primarily due to the following factors:

1. Annual Turnover of One-Third of the Resident Physicians.

2. Faculty Recruitment and Retention.

Example: Loss of 2 key faculty in Minot 2005-06

3. Patient Care volume.

Example: 2004-05 Minot Patient Care Revenue \$2.5 million; 2007-08 est. at \$1.8 million

4. Medicare Graduate Medical Education rules and regulations.

Example: 2005-06 write-off \$700K of Hospital A/R in Bismarck

5. Fixed costs are high and are not variable in relationship to revenues.

In 2005-06 the CFM's lost \$1.5 million in net equity.

Fall 2006 CFM Deficit Reduction Plan

Included in plan:

Formation of CFM oversight committee

- chaired by Dr. Wilson
- membership of Family Medicine, CFM's & Administration
- monthly meetings

CFM business operations report to Associate Dean for Administration & Finance. Regular meetings and accountability.

- monthly accrual adjusted Financial Statements

Accounting changes

- booking A/R on monthly basis, not annual.

Specific Deficit Reduction Plans Established

- deficit reduced by \$991,500 in 2006-07

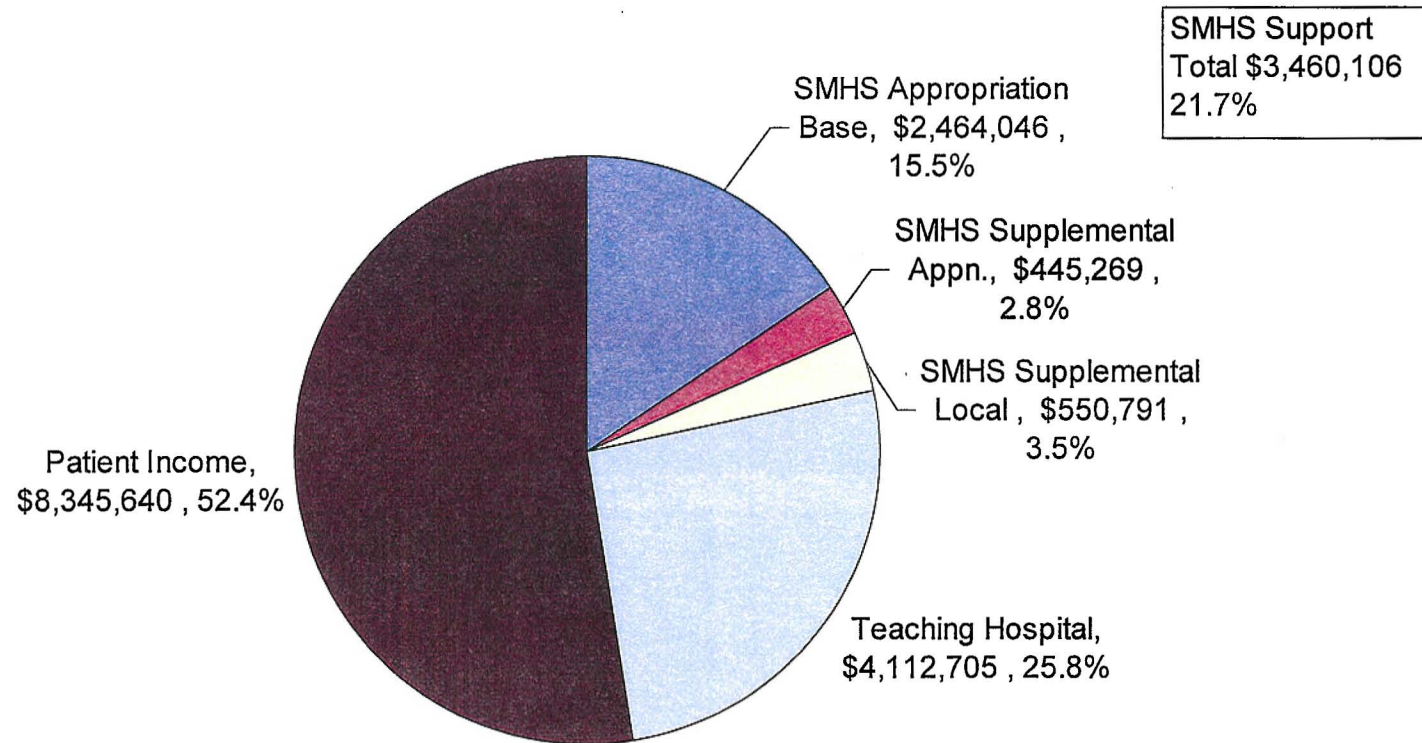
Centers for Family Medicine Financial Summary: 2005-07

	<u>Bismarck</u>	<u>Minot</u>	<u>Minot Pharmacy</u>	<u>Grand Total</u>
Fund Equity: June 30, 2005	\$ (99,792)	\$ 98,869	\$ (76,676)	\$ (77,598)
Revenues: 2005-07	\$ 6,263,527	\$ 8,072,585	\$ 1,582,339	\$ 15,918,451
Expenses: 2005-07	\$ 6,441,586	\$ 8,452,838	\$ 1,558,479	\$ 16,452,902
Gain or (Loss): 2005-07	\$ (178,059)	\$ (380,253)	\$ 23,861	\$ (534,451)

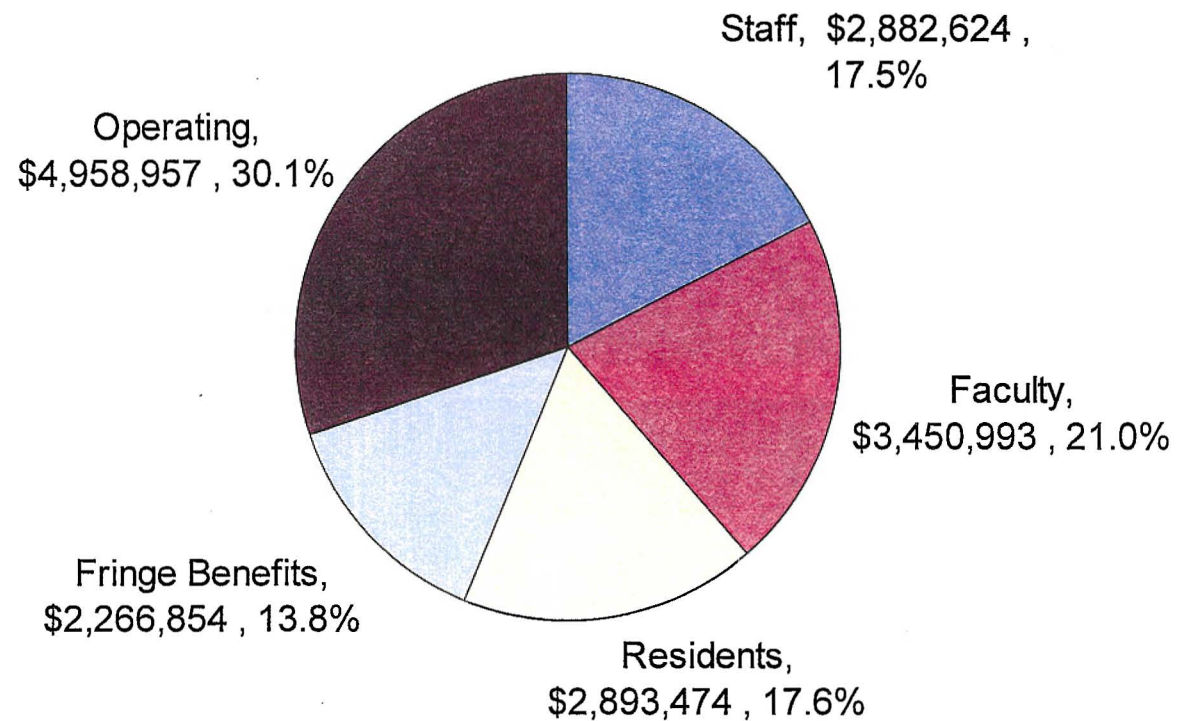
Fund Equity Balances: June 30, 2007

	<u>Bismarck</u>	<u>Minot</u>	<u>Minot Pharmacy</u>	<u>Grand Total</u>
Cash - All Sources	\$ (2,760,141)	\$ (1,121,804)	\$ (175,669)	\$ (4,057,614)
Accounts Receivable - Hospital	\$ 2,319,436	\$ 500,000	\$ -	\$ 2,819,436
Accounts Receivable - Patient	\$ 417,931	\$ 608,031	\$ 37,414	\$ 1,063,376
A/R Allowances	\$ (113,140)	\$ (135,281)	\$ (2,327)	\$ (250,747)
Inventory	\$ -	\$ -	\$ 102,984	\$ 102,984
Payables/GL Budget Difference	\$ (141,937)	\$ (132,330)	\$ (15,217)	\$ (289,484)
Ending Equity Balance	\$ (277,850)	\$ (281,384)	\$ (52,815)	\$ (612,049)

**Total Centers for Family Medicine
2005-07 Sources of Revenue
Total \$15,918,451**



**Total Centers for Family Medicine
2005-07 Object of Expenditures
Total \$16,452,902**



Bismarck Center for Family Medicine Medicare (CMS) Graduate Medical Education Dispute

Issue:

Whether the Intermediary ("CMS") properly disallowed reimbursement for direct graduate medical education ("GME") and indirect medical education ("IME") costs in the CFM, a nonhospital setting, by reducing the Providers' full-time equivalent ("FTE") resident counts.

Amounts Currently Under Appeal:

1999	\$ 162,503	MedCenter One
2000	\$ 120,612	MedCenter One
2001	\$ 105,309	St. Alexius
Total	\$ 388,424	

Further, approximately \$1.8 million in GME reimbursements have also been reduced from the hospitals costs reports. In 2005-06 the SMHS reduced previously booked Hospital A/R by \$700K. All Hospital Accounts Recievables reported by the SMHS are net of all CMS adjustments. Hospital Recievables are confirmed by MedCenter One and St. Alexius.

Actions taken by UND and the Hospitals

The SMHS has joined MedCenter One and St. Alexius Hospital in a group appeal against CMS. The Intermediary's actions should be reversed because its interpretation of the GME and IME reimbursement requirements is wrong and, even if correct, cannot be retroactively applied.

Timeframe:

Administrative hearing held in Baltimore in July 2007. Decisions to be made in 12-18 months.

Bismarck Center for Family Medicine Accounts Receivable

<u>MedCenter One</u>	<u>30-Jun-07</u>	<u>31-Dec-07</u>
FY 2003-04	\$ 448,653.14	\$ -
FY 2004-05	\$ 652,993.52	\$ 652,993.52
FY 2005-06	\$ 599,317.72	\$ 599,317.72
FY 2006-07	\$ 661,825.56	\$ 563,931.34
FY 2007-08	\$ -	\$ 544,511.02
Total MedCenter One A/R	\$ 2,362,789.94	\$ 2,360,753.60

<u>St. Alexius</u>	<u>30-Jun-07</u>	<u>31-Dec-07</u>
FY 2000-01	\$ (185,529.00)	\$ (185,529.00)
FY 2001-02	\$ (88,193.00)	\$ (88,193.00)
FY 2002-03	\$ 6,169.00	\$ 6,169.00
FY 2003-04	\$ 771.00	\$ 771.00
FY 2004-05	\$ (32,724.00)	\$ (32,724.00)
FY 2005-06	\$ 64,940.98	\$ 64,940.98
FY 2006-07	\$ 191,211.15	\$ 94,948.26
FY 2007-08	\$ -	\$ 92,004.57
Total St. Alexius A/R	\$ (43,353.87)	\$ (47,612.19)

<u>Patient A/R</u>	<u>30-Jun-07</u>	<u>31-Dec-07</u>
Gross A/R	\$ 417,931	\$ 533,150
Allowance for Bad Debt	\$ (113,140)	\$ (113,140)
Net Patient A/R	\$ 304,791	\$ 420,010

Minot Center for Family Medicine Accounts Receivable

<u>Trinity Hospital</u>	<u>30-Jun-07</u>	<u>31-Dec-07</u>
FY 2006-07	\$ 500,000	\$ -
FY 2007-08	\$ -	\$ 400,000
Total Trinity A/R	\$ 500,000	\$ 400,000

<u>Patient A/R</u>	<u>30-Jun-07</u>	<u>31-Dec-07</u>
Gross A/R	\$ 608,031	\$ 413,985
Allowance for Bad Debt	\$ (135,281)	\$ (135,281)
Net Patient A/R	\$ 472,750	\$ 278,704

Minot Pharmacy Accounts Receivable

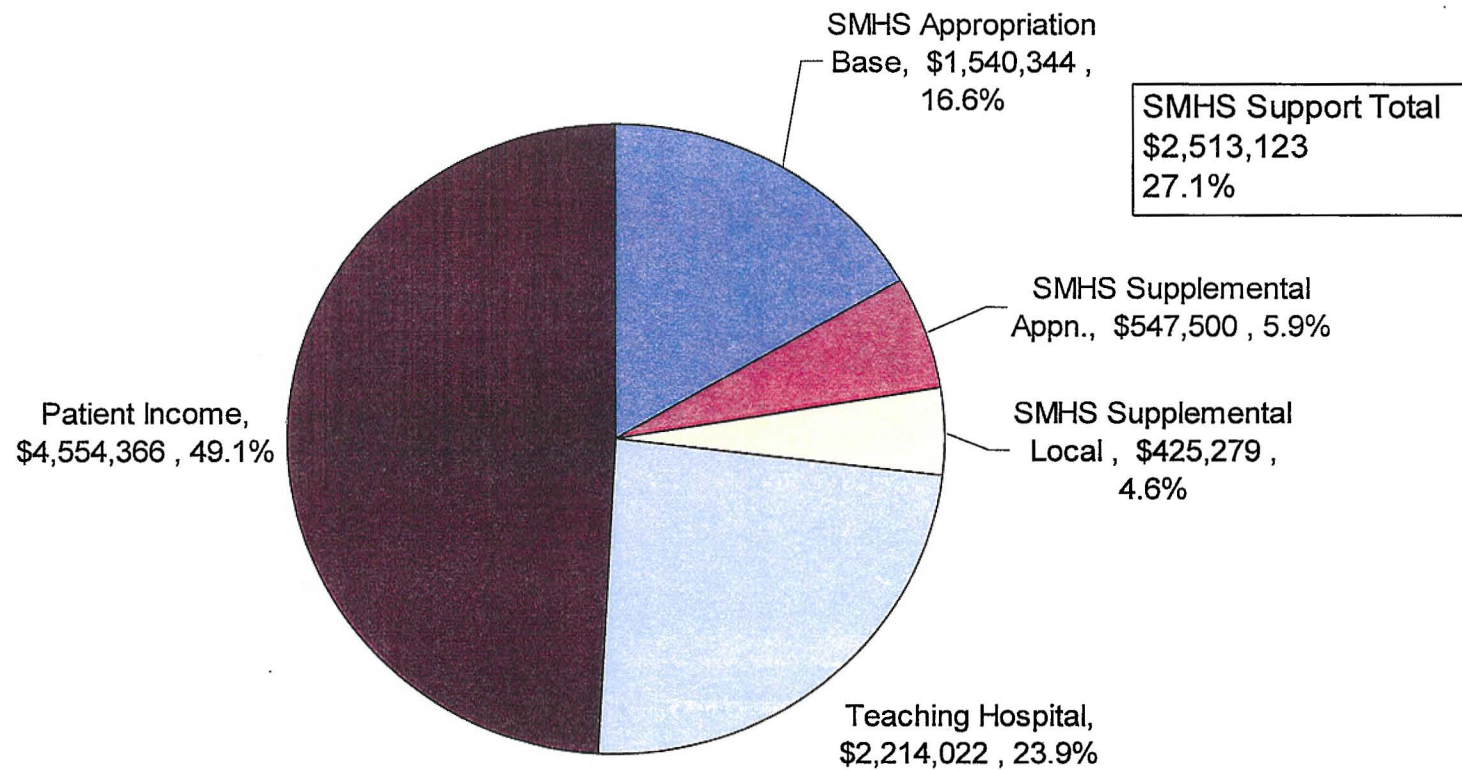
<u>Patient A/R</u>	<u>30-Jun-07</u>	<u>31-Dec-07</u>
Gross A/R	\$ 37,414	\$ 41,389
Allowance for Bad Debt	\$ (2,327)	\$ (2,327)
Net Patient A/R	\$ 35,087	\$ 39,063

Centers for Family Medicine

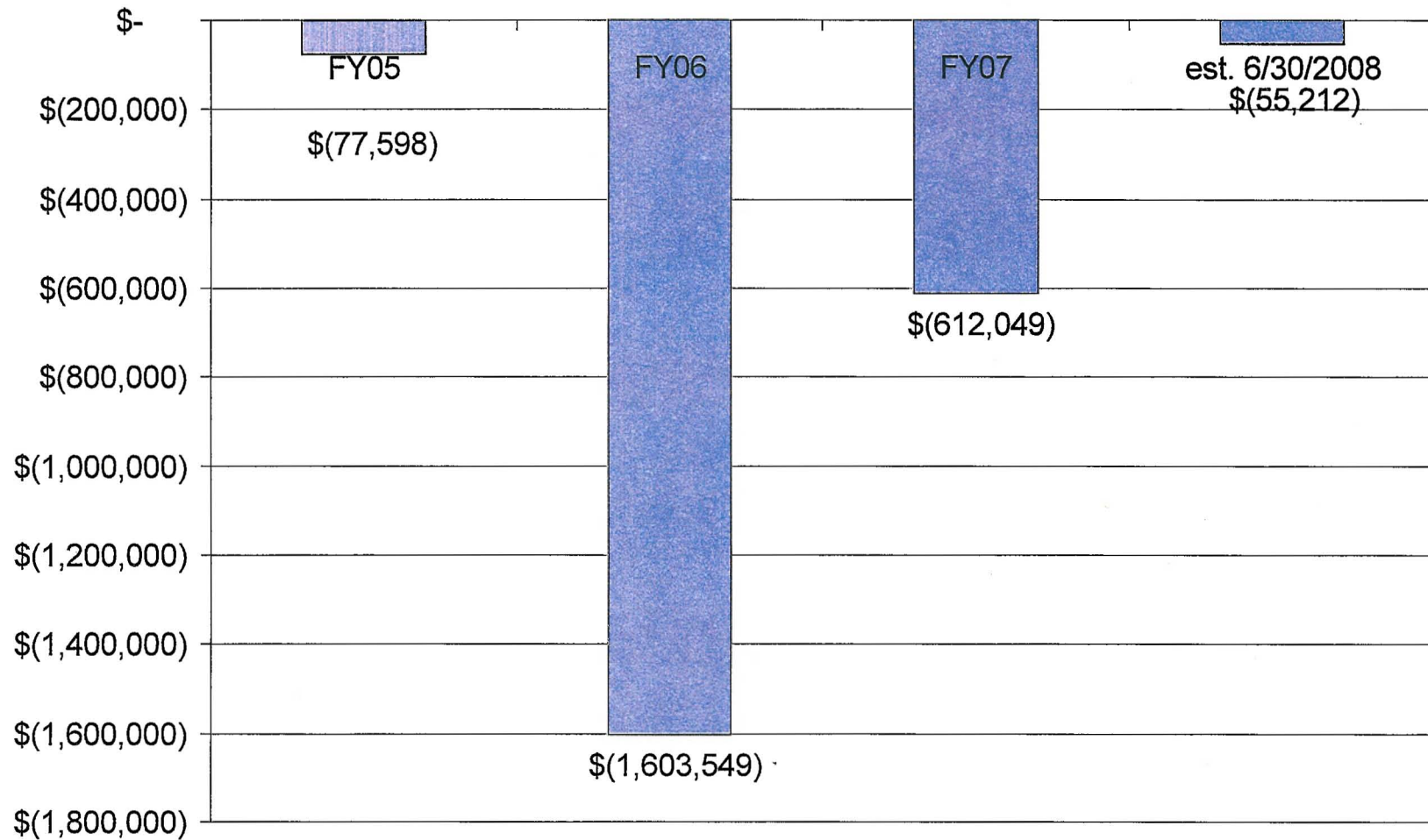
Estimated Revenues & Expenditures: FY08

			Minot	Grand
	<u>Bismarck</u>	<u>Minot</u>	<u>Pharmacy</u>	<u>Total</u>
Fund Equity: June 30, 2007	\$ (277,850)	\$ (281,384)	\$ (52,815)	\$ (612,049)
Est. Revenues: FY08	\$ 3,636,883	\$ 4,461,757	\$ 1,182,870	\$ 9,281,511
Est. Expenses: FY08	\$ 3,396,545	\$ 4,236,757	\$ 1,091,372	\$ 8,724,674
Est. Profit or (Loss): FY08	\$ 240,339	\$ 225,000	\$ 91,498	\$ 556,837
Est. Fund Equity June 30, 2008	\$ (37,512)	\$ (56,384)	\$ 38,682	\$ (55,213)

Total CFM's Estimated FY08 Sources of Revenue Total \$9,281,511



Total CFMs Total Equity Balances



2009-11

Additional General Fund Requests for CFMs

On-Going Support:

Support for General Operations of CFMs	\$ 1,775,000
Add: Electronic Medical Records to CFMs	<u>\$ 225,000</u>
Total Requested Operations Needs	\$ 2,000,000

One-Time Capital Investments:

Bismarck CFM: Construct new Facility	\$ 5,000,000
Minot CFM: Retire Bond on Existing Facility (If funded, \$500,000 may be deducted from the \$2.0 million Operations request.)	\$ 4,000,000