

1993-94 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

Joint Committee on
Finance (JC-Fi)

Sample:

Record of Comm. Proceedings ... RCP

- 05hrAC-EdR_RCP_pt01a
- 05hrAC-EdR_RCP_pt01b
- 05hrAC-EdR_RCP_pt02

➤ Appointments ... Appt

➤ **

➤ Clearinghouse Rules ... CRule

➤ **

➤ Committee Hearings ... CH

➤ **

➤ Committee Reports ... CR

➤ **

➤ Executive Sessions ... ES

➤ **

➤ Hearing Records ... HR

➤ **

➤ Miscellaneous ... Misc

➤ 93hrJC-Fi_Misc_pt49

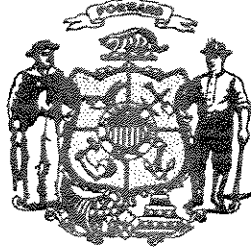
➤ Record of Comm. Proceedings ... RCP

➤ **

State of Wisconsin

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JOINT COMMITTEE ON FINANCE

May 26, 1994

TO: Mr. James R. Klauser, Secretary
Department of Administration

FROM: Senator Joe Leean
Representative Barbara J. Linton
Co-Chair, Joint Committee on Finance

We have reviewed the request from the Department of Administration dated May 6, 1994 under s. 16.515 and 16.505(2) pertaining to requests from the University of Wisconsin System and the Department of Industry, Labor and Human Relations.

There were no objections to these requests and accordingly they have been approved.

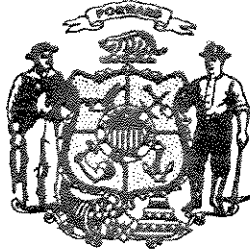
JL:BJL:ns

cc: Roger Grossman
Bob Lang

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JOINT COMMITTEE ON FINANCE

5/26

May 6, 1994

TO: JOINT COMMITTEE ON FINANCE MEMBERS

FROM: Senator Joe Leean
Representative Barbara J. Linton
Co-Chair, Joint Committee on Finance

Attached is a copy of a request from the Department of Administration dated May 6, 1994 pertaining to a request from the University of Wisconsin System and the Department of Industry, Labor and Human Relations.

Please review this item and notify Senator Leean's office not later than Tuesday, May 24, 1994 if you have any concerns about the request or would like the Committee to meet formally to consider it.

Also, please contact us if you need additional information.

JL:BJL:ns

Attachments

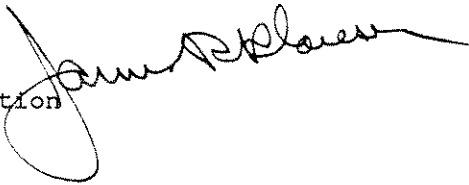
CORRESPONDENCE/MEMORANDUM

**STATE OF WISCONSIN
Department of Administration**

Date: May 6, 1994

To: Honorable Joseph Leraan, Co-Chair
Honorable Barbara J. Linton, Co-Chair

From: James R. Klauser
Secretary
Department of Administration



Subject: s. 16.515/16.505(2) Requests

Enclosed are requests which have been approved by this department under the authority granted in s. 16.515 and s. 16.505(2). The explanation for each request is included in the attached materials. Listed below is a summary of each item:

AGENCY	DESCRIPTION	1993-94		1994-95	
		AMOUNT	FTE	AMOUNT	FTE
U.W.S. 20.285(1) (kb)	U.W. Hospital and Clinics	\$ 1,083,822		\$ 1,083,822	
D.I.L.H.R. 20.445(1) (ha)	W.C. Operations	46,100	1.0	61,600	1.0
D.I.L.H.R. 20.445(1) (kc)	Div. Admin. Svcs. PR-S Re-structuring			1,109,000	19.7
20.445(1) (ka)*					-2.0
20.445(1) (j)*					-1.0
20.445(1) (gb)*					-2.0
20.445(1) (ma)*					-3.0
20.445(1) (n)*					-11.7

* All part of the re-structuring request.

As provided in s. 16.515, this request will be approved on May 27, 1994 unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about this request.

Please contact Roger Grossman at 266-1072, or the analyst who approved the request in the Division of State Executive Budget and Planning, if you have any additional questions.


Attachments:

CORRESPONDENCE/MEMORANDUM

STATE OF WISCONSIN
Department of Administration

Date: May 5, 1994

To: James R. Klauser
Secretary

From: Mary Hartzheim 

Subject: s. 16.515 Request for University of Wisconsin Hospital and Clinics

REQUEST

The UW System requests approval of \$2,683,822 PR additional spending authority under s. 20.285 (1) (kb), University of Wisconsin Hospital and Clinics.

BACKGROUND

It has become the standard practice over recent biennia to annually approve a large portion of the increases in positions and/or expenditure authority for UWHC through the processes under ss. 16.505 and 16.515 rather than through the biennial budget process. This method of review allows the executive and legislative branches to provide budgetary oversight using more timely information on UWHC revenues and expenditures than that available at the time the biennial budget is set.

As such, the UWHC request for \$55.9 million additional spending authority and 120 FTE additional positions was deleted from the 1993-95 biennial budget by the Joint Committee on Finance. The current s. 16.515 request for \$2.7 million additional expenditure authority is 15.2% of the original UWHC FY94 request of \$17.6 million. Approval of this request would bring UWHC's total allotment level to \$259,332,778, the amount approved by the Board of Regents and the Council of Trustees in the 1993-94 Red Book, which represents the system's annual operating budget.

Unlike previous years, the UWHC did not submit a request for additional positions under s. 16.505 with its request under s. 16.515. While the original UWHC 1993-95 biennial budget request included 120 additional positions, as part of its ongoing efforts to control costs, UWHC is containing position growth and has no need for immediate increased position authority.

ANALYSIS

UWHC is requesting \$2,683,822 million in additional expenditure authority on an initial allotment of \$256.6 million. According to UWHC, the additional spending authority is necessary to meet its projected FY94 expenditures of \$259,332,778. However, \$1.6 million of the requested increased expenditure authority is to cover the FY94 pay plan supplement which will be addressed during the separate pay plan supplement process. Therefore, only \$1,083,822 million of the request should be addressed through the s. 16.515 process. Approval of \$1,083,822 million under s. 16.515 and the estimated \$1.6 million in pay plan supplement would result in a 1% increase to the FY93 ending allotment. This is smaller than prior year allotment increases. The FY93 allotment increase over the prior year was 4.6% and the FY92

allotment increase over the prior year was 9.6%.

The UWHC projected increase in FY94 total spending over FY93 is much lower than previous year increases. Over the past five years, spending authority increased at an average annual rate of 10.7%, while this year's projected increase is 1.7%.

**UWHC: Increases in Spending Authority
FY89-94**

<u>Fiscal Year</u>	<u>Expenditures</u>	<u>Increase over previous year</u>
FY89	\$164.2	3.7%
FY90	\$191.1	16.4%
FY91	\$217.8	14.0%
FY92	\$236.6	8.6%
FY93	\$258.5	9.3%
FY94*	\$261.9	1.3%

* UWHC projected FY94 expenditures.

The smaller increase in spending is reflective of UWHC's recent cost control efforts. These cost reduction efforts began in 1993 and are part of UWHC's overall effort to successfully compete with area health care providers. UWHC claims it has been successful in containing costs in some areas, but that costs continue to rise in several areas over which UWHC has no control. These include pharmaceutical and medical supply costs due to usage of new technology; general supply costs associated with volume increases in outpatient treatment areas; and increased organ acquisition costs.

The patient activity figures shown below reflect the general trend in health care of increased outpatient care and decreased inpatient days. UWHC has been experiencing increases in outpatient activity and projects a 4.9% increase in FY94. UWHC inpatient activity is declining and is estimated to decrease by 3.4% in FY94.

**UWHC: Patient Activity
FY89-94**

	<u>Admissions</u>	<u>% Change</u>	<u>Outpatients</u>	<u>% Change</u>
FY89	15,761	1.6%	338,400	3.4%
FY90	16,647	5.6%	348,100	2.9%
FY91	17,436	4.7%	360,200	3.5%
FY92	18,405	5.6%	378,600	5.1%
FY93	18,332	-0.4%	388,000	2.5%
FY94*	17,700	-3.4%	407,000	4.9%

* UWHC projected FY94 patient activity.

It appears UWHC has sufficient revenue available to cover the requested increase in expenditure authority. The hospital's estimated actual expenditures for FY94 are 0.4% (\$942,000) below budget and estimated actual revenues are 2.9% (\$7,965,000) above budget. UWHC projects that net patient revenues for FY94 will reach approximately \$270 million. Net patient revenues include revenue from Medicare, Medicaid, General Assistance, commercial payors, managed care, and other payors. Total revenue collections, which includes patient

revenues, state GPR, cafeteria income, interest income and gifts and grants, are projected to reach \$279.2 million. This would leave a projected net income of \$17.3 million. Of the total net income, \$6 million will come from an unanticipated one time Medicare adjustment. In FY93 and FY92, UWHC had net operating revenues in excess of expenses of \$10.9 million and \$11.6 million, respectively. UWHC projects FY94 year-end reserve of \$55 million, which is a reasonable balance. The hospital's goal is to carry a minimum of 60 days operating costs in its reserve fund. In terms of FY95 projected costs, the \$55 million reserve would cover 74 days of operating costs.

While the UWHC estimated actual expenditures for FY94 are approximately \$942,000 below budget, capital expenditures, which are not included in the calculation of the above expenditure figures, are approximately \$1.0 million over budget, according to the hospital finance staff. Therefore, even if expenditures are below budget, the additional spending authority is needed for capital expenditures.

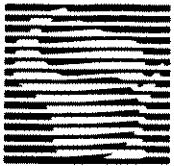
UWHC rates have increased 4.5% in FY94, as compared to 6.5% in FY93 and 3.8% in FY92. This rate increase compares favorably with area hospitals and other University hospitals. Rates at St. Mary's and Meriter increased by 14% and 6.0%, respectively, in FY94. Rate increases at other University hospitals ranged from 5-10%.

The hospital has requested the increased expenditure authority be allocated to the supply and services expenditure line. UWHC made its request under the assumption that it has flexibility to allocate the \$1.1 million between salary, fringe benefits, supplies and services, and permanent property expenditure lines. However, as with any program revenue appropriation, the line transfers must first be approved by the state budget office.

Due to the recent evaluation of restructuring by the Legislative Audit Bureau (LAB), there may be interest in the relationship of this s. 16.515 request to the \$4.4 million diverted from UWHC to Health Professionals Inc. (HPI) for the purpose of building up a patient/provider network. The two items are unrelated. UWHC's approved spending authority has no relationship to the diversion of funds to HPI. If the \$4.4 million had not been diverted, these funds would have been used to increase the reserve balance. The request to increase spending authority is made to cover operating expenditures which is separate from the concerns raised about UWHC's relationship to HPI.

RECOMMENDATION

Approve additional, on-going expenditure authority of \$1,083,822 million PR under s. 20.285 (1) (kb).



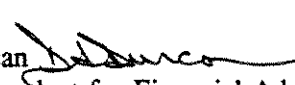
The University of Wisconsin System

Financial Administration
1568 Van Hise Hall, 1220 Linden Drive
Madison, Wisconsin 53706
(608) 262-5893 FAX: (608) 265-3175

MAR 17 1994

DATE: March 15, 1994

TO: James R. Klauser
Secretary, Department of Administration

FROM: Deborah A. Durcan 
Assistant Vice President for Financial Administration

RE: S. 16.515 Request for University Hospital and Clinics

The University of Wisconsin System requests increased expenditure authority of \$2,683,822 for the appropriation under s.20.285(1)(kb) for the University of Wisconsin Hospital and Clinics.

The purpose of this request is to increase base expenditure authority to the spending levels approved by the Hospital's Council of Trustees and the Board of Regents in the 1993-94 Redbook budget.

Approval of this request will result in a total 1993-94 Hospital and Clinics budget of \$259,332,778, an increase of \$7.5 million (less than 3%) over 1992-93 actual expenditures. Through January 31, 1994, current year collections were \$11.6 million (8%) ahead of last year at that time. It is anticipated that total patient revenues for this year will exceed projected expenditures.

The level of increase is smaller than previous years due to significant cost containment efforts begun by the Hospitals during 1993. While these efforts are ongoing, it is anticipated that several cost categories will experience continuing increases:

1. organ acquisition costs;
2. pharmaceutical and medical supply costs, due to implementation and usage of new technology;
3. general supply costs associated with volume increases in outpatient treatment areas.

The request for the 1993-94 pay plan adjustments will be made in the 4th quarter. We hope to know more then about the impact of a settlement with the nurses union. Also, please note that the need for the level of spending authority being requested is ongoing.

cc: John Torphy Larry Wold
Peter Christman Jim Seifriz
Ray Marnocha Kathi Sell
Tom Sonnleitner Bob Andersen
Marty Oille George Ketterer

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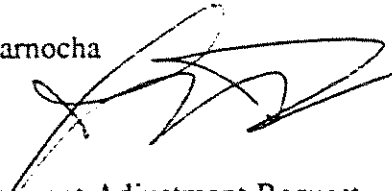
UNIVERSITY OF
WISCONSIN
MADISON

1-28-94
cc: Megan
Physician
with George when
he comes Thanks

January 25, 1994

MEMORANDUM

TO: Raymond Marnocha

FROM: John Torphy 

SUBJ: 1993-94 Allotment Adjustment Request
University of Wisconsin Hospital and Clinics

Handwritten notes:
Marnocha
Trustees process
to his understanding
contact -
1-28-94

Stamp:
UNIVERSITY OF WISCONSIN
HOSPITAL AND CLINICS
BUSINESS & FINANCE

I am enclosing a request for additional spending authority in appropriation s. 20.285 (1)(kb), University of Wisconsin Hospital and Clinics. The \$2,493,407 allotment increase requested for Supplies and Expense by UWHC raises their total allotment level to the amount approved as the 1993-94 budget by the Trustees and Regents.

I support the request as presented after reviewing the Hospital's current expenditure and revenue levels.

You will note that the Hospital Administration strongly anticipates a future need to transfer funds between major expenditure classes in an effort to stay within the Regent-approved budget. It is my understanding that the Department of Administration and System Administration will accept such transfers if the effect on each major class is reported as the need for transfers becomes apparent. Any increases above the Red Book level will need to be considered by the Council of Trustees.

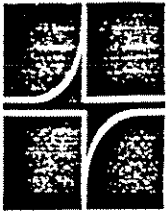
Please call me if you have questions.

Enclosure

- cc: Chancellor David Ward
- Interim Vice Chancellor Laurence J. Marton
- Interim Vice Chancellor Richard L. Barrows
- Associate Superintendent Christman
- Assistant Vice Chancellor Richner
- Assistant Director Wold
- Jim Bolton

UNIVERSITY OF WISCONSIN
VICE PRESIDENT
JAN 27 1994
BUSINESS & FINANCE

Office of Budget, Planning and Analysis



University of Wisconsin
Hospital and Clinics

Center for Health Sciences
University of Wisconsin-Madison

600 Highland Avenue, Madison, Wisconsin 53792

January 12, 1994

TO: Bill Richner
FROM: Peter Christman

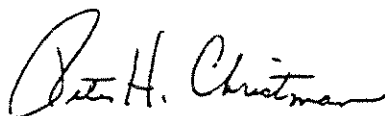
U.W. Hospitals and Clinics hereby requests an increase in the Supplies and Expense (S.&E.) portion of the approved 1993-94 allotment level by the amount of \$2,493,407. This would raise the total allotment level to \$259,332,778, which is exactly the amount included in the Red Book and is the Cash Basis equivalent of the Hospitals' official 1993-94 Budget, as approved by the administrators from both the Madison Campus and the U.W. System, the Hospitals' Council of Trustees and the University Board of Regents.

The total allotment request of \$259,332,778 is only \$2.3 million, or .9% higher than the 1992-93 Red Book request; and \$4.7 million, or 1.9% higher than the final approved 1992-93 allotment level. This level of increase is smaller than has been experienced in recent years, and is reflective of our cost containment efforts which were begun in earnest in 1993. These efforts are being further intensified in fiscal 1994. Increases will occur primarily in some areas that are largely uncontrollable by the Hospitals. Pharmaceuticals and medical supply increases resulting from implementation of new technology and increased utilization will occur in selected areas. Volume increases in the outpatient area will also cause some increases in supply costs. Organ acquisition costs continue to increase.

It is important to note that at projected levels of activity, patient revenues would exceed total projected costs.

Please note that the specific \$ amount being requested is contingent upon two factors, namely the current approved allotment level and complete flexibility between categories. The Hospitals' request is based upon information showing the current allotment level at \$256,839,371. If that balance changes, the Hospitals' request would change accordingly, in order to reach

the Red Book level. In addition, the Hospital has been informed that it has complete flexibility to transfer \$ amounts between Salaries, Fringe, S.&E. and Capital. If this is not the case, the Hospitals will have to revise this request. If you have any questions about the specifics of this request, please contact Jim Seifriz, Assoc. Director of Finance, for assistance at 3-4792.



Peter H. Christman
Associate Superintendent-
Director of Finance

cc: Jim Bolton ✓
Larry Wold
Ray Marnocha
John Torphy
Debbie Durcan
Jim Seifriz