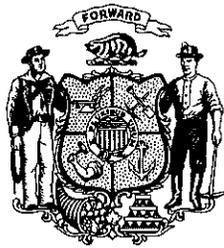


# State of Wisconsin

SENATE CHAIR  
**Alberta Darling**

317 East, State Capitol  
P.O. Box 7882  
Madison, WI 53707-7882  
Phone: (608) 266-5830



ASSEMBLY CHAIR  
**John Nygren**

309 East, State Capitol  
P.O. Box 8593  
Madison, WI 53708-8953  
Phone: (608) 266-2343

## Joint Committee on Finance

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Alberta Darling  
Representative John Nygren

Date: September 4, 2018

Re: 30-Day Passive Review Approval – UW Health

Pursuant to s. 233.20, Stats., attached is a 30-day passive review request from the UW Health, received on September 4, 2018.

Please review the material and notify **Senator Darling** or **Representative Nygren** no later than **Monday, October 15, 2018**, if you have any concerns about the request or if you would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

Attachments

AD:JN:jm

SEP 04 2018  
Jt. Finance

Contact: Connie Schulze  
Director, Government Affairs  
749 University Row, Suite 240  
Madison, WI 53705  
608/422-8063 office  
608/516-2552 mobile  
cschulze@uwhealth.org

September 4, 2018

Sen. Alberta Darling, Co-Chair  
Joint Committee on Finance  
PO Box 7882  
Madison, WI 53707

Rep. John Nygren, Co-Chair  
Joint Committee on Finance  
PO Box 8953  
Madison, WI 53708

Sent via email transmittal to [Sen.Darling@legis.wi.gov](mailto:Sen.Darling@legis.wi.gov) and [Rep.Nygren@legis.wi.gov](mailto:Rep.Nygren@legis.wi.gov)

Dear Sen. Darling and Rep. Nygren:

Pursuant to s. 233.20, Wis. Stats., University of Wisconsin Hospitals and Clinics Authority (d/b/a UW Health) is notifying you of our intent to issue bonds in the amount of \$350 million later this year. The issuance of bonds under this section does not create an obligation or debt to the State of Wisconsin or its taxpayers.

UW Health has a bond rating of AA- with S&P and Aa3 with Moody's and will use the bonds for projects in Wisconsin and Illinois and to refinance existing bonds. Our intended use for the bonds is described below and in the attached memorandum.

- Purchase land for ambulatory expansion (\$8.9 million)
- Infrastructure improvements at University Hospital (\$21.1 million)
- Consolidate short-term loan into borrowing (\$25 million)
- Bed tower/hospital construction and equipment at SwedishAmerican Hospital (\$120 million)
- Refinance existing bonds (\$175 million)

As provided in s. 233.20, Wis. Stats., our enterprise will move forward with securing the bonds for the purposes outlined after the passive review period of 30 working days unless notified otherwise by you or the Secretary of DOA.

Thank you for your consideration. Please don't hesitate to contact me with any questions or concerns at 608/516-2552.

Sincerely,



Alan S. Kaplan, MD  
CEO, UW Health

cc: Joe Malkasian, Committee Clerk, JFC  
Bob Flannery, SVP, Chief Financial Officer, UW Health



**Contact: Connie Schulze**  
 Director, Government Affairs  
 749 University Row, Suite 240  
 Madison, WI 53705  
 608/422-8063 office  
 608/516-2552 mobile  
 cschulze@uwhealth.org

**TO:** Members of the Joint Committee on Finance  
 Secretary Ellen Nowak, DOA

**FR:** Alan S. Kaplan, MD, CEO of UW Health  
 Connie Schulze, Director of Government Affairs for UW Health

**DT:** September 4, 2018

**RE:** Request for approval of \$350 million in bonds

Pursuant to s. 233.20, Wis. Stats., University of Wisconsin Hospitals and Clinics Authority (d/b/a UW Health) is notifying you of our intent to issue debt in the amount of \$350 million at the close of October 2018. UW Health is an authority under chapter 233 and as such, is responsible for all debts incurred. Therefore, the issuance of these bonds will have no bearing on the finances of the State of Wisconsin and its taxpayers.

UW Health’s current bond rating is **AA- with S&P and Aa3 with Moody’s** based on our sound financial health and our history of repaying long-term debt. Our commitment to improving our financial outlook while maintaining stellar patient care, has allowed us to return our operating margins to levels of historic performance. As of March 31, 2018, we had an operating margin of 3.2% and nearly 200 days cash on-hand. We have addressed capacity issues through our joint operating agreement with UnityPoint Health-Meriter which has allowed us to better serve patients and we have made all this progress without any large, involuntary reductions to our workforce.

We consider this ongoing effort to grow our financial viability, our “new normal” and we are constantly seeking ways to improve. One strategy that has proven to be very beneficial is our partnership with SwedishAmerican Health System based in Rockford, Illinois. Since joining forces, large numbers of referrals have been made to our hospitals in Madison instead of going to Chicago. This has helped to increase UW Health’s net revenue.

We are making strategic investments in the Rockford market to support SwedishAmerican while we continue to invest in Wisconsin and Dane County. Specifically, \$175 million in new debt will be used and repaid as follows:

Purchase of land for ambulatory expansion	Madison, WI	\$8,900,000	Repaid by revenue generated in Wisconsin market.
University Hospital infrastructure improvements	Madison, WI	\$21,100,000	Repaid by revenue generated in Wisconsin market.

Consolidate short-term loan into borrowing	Madison, WI	\$25,000,000	Repaid by revenue generated in Wisconsin market.
Bed tower/hospital construction and equipment	Rockford, IL	\$120,000,000	Repaid by revenue generated in Illinois market.

The remaining \$175 million will be used to refinance existing bond series with new bonds whose terms are financially advantageous.

We have been advised that the current interest rate environment is favorable and to access the capital markets as soon as possible may be to our advantage. Also, doing so will allow us to use our existing audited financial statements through the end of our fiscal year (6/30/2018) instead of undertaking a new, time-consuming and costly audit. Finally, some of the construction projects are underway so securing bonds in this timeframe allows us to preserve our cash and use bond proceeds to pay for the construction.

We hope this explanation meets with your approval. We will move forward with the bond issuance after 30 working days unless you indicate otherwise. Please don't hesitate to contact us at 608/516-2552 if you have any questions or concerns.