

EXECUTIVE SUMMARY

INFORMATION ITEM: UNIVERSITY MEDICAL CENTER CORPORATION FY 2005
AUDITED FINANCIAL STATEMENTS

ISSUE: The FY 2005 audited financial statements for University Medical Center Corporation (UMCC) are presented for the Board's information.

BACKGROUND:

- ▶ University Medical Center Corporation (UMCC), an Arizona private not-for-profit, tax-exempt corporation, operates University Medical Center, a 355-bed general acute care teaching medical facility, and physician offices in Tucson. The Medical Center is the primary teaching hospital for the College of Medicine, College of Nursing, College of Pharmacy, College of Public Health, and the School of Health-Related Professions of The University of Arizona. Appointments to the UMCC Board of Directors are confirmed by the Arizona Board of Regents.
- ▶ UMCC annually forwards its audited financial statements to the Board of Regents.
- ▶ Consistent with the paper reduction goal of the Board and beginning in FY 1998, the central office staff began receiving these reports and, upon review, reporting only exceptions or significant deviations to the Board. The FY 2005 financial statements are brought to the Board because operating results were significantly improved over FY 2004 and significantly exceeded UMCC's budgeted net operating income.
- ▶ For FY 2005, UMCC reported \$372.8 million (compared to \$337.4 million in FY 2004) in operating revenues and \$350.7 million (compared to \$322.6 million in FY 2004) in operating expenses, resulting in operating income of \$22.1 million (compared to \$14.8 million in FY 2004).
- ▶ This 49 percent increase in operating income over the prior year reflects increased patient volumes driven by UMCC's status as Southern Arizona's sole Level 1 Trauma Center, improved revenues through payor contract renegotiation and through mix of services provided, and revenue cycle process improvements.
- ▶ Return on investments of \$5.0 million exceeded a \$1.5 million return in FY 2004. Interest expense on the corporation's bonds was \$4.2 million compared with \$4.0 in FY 2004. The net of these items, coupled with \$22.1 million in operating income, resulted in an increase in net assets of \$22.9 million in FY 2005, compared to \$12.3 million in FY 2004.

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- ▶ For FY 2006 UMCC has budgeted operating revenues of \$394.8 million and operating expenses of \$377.8, resulting in projected operating income of \$17.0 million.
- ▶ The audited financial statements are available from the central office.

RECOMMENDATION:

The FY 2005 UMCC financial statements are presented for the Board's information.