



St. Paul-Ramsey Medical Center.
Hospital and Medical Center Records.

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SAINT PAUL - RAMSEY MEDICAL CENTER

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

YEARS ENDED DECEMBER 31, 1980 AND 1979

Touche Ross & Co.

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Touche Ross & Co.

April 24, 1981

Saint Paul-Ramsey Medical Center
Commission
Saint Paul, Minnesota

We have examined the balance sheets of Saint Paul-Ramsey Medical Center (a quasi-governmental organization) as of December 31, 1980 and 1979, and the related statements of revenues and expenses, changes in fund balances and changes in financial position of unrestricted funds for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Saint Paul-Ramsey Medical Center at December 31, 1980 and 1979, the results of its operations, the changes in fund balances and the changes in financial position of unrestricted funds for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.

Certified Public Accountants

SAINT PAUL-RAMSEY MEDICAL CENTER

BALANCE SHEETS

ASSETS	December 31	
	1980	1979
CURRENT ASSETS:		
Cash and temporary cash investments	\$ 1,962,405	\$ 2,284,541
Receivables (Note K):		
Charges to patients and third party payors, less allowance for doubtful accounts of \$2,981,000 and \$2,362,000, respectively	9,845,222	9,077,030
State and county support (Note E)	45,430	8,033
Other	902,339	920,363
	10,792,991	10,005,426
Due from restricted funds		49,553
Inventories of drugs and supplies, at cost	688,680	574,642
Prepaid expenses	16,020	32,306
TOTAL CURRENT ASSETS	13,460,096	12,946,468
GENERAL PROFESSIONAL LIABILITY TRUST ACCOUNT (NOTE I)	990,451	627,784
NOTE RECEIVABLE, 6%	69,489	153,978
LAND, BUILDINGS AND EQUIPMENT (Notes A and H):		
Cost:		
Land and land improvements	1,572,426	1,524,859
Building and building service equipment	27,375,038	27,004,087
Equipment	12,520,809	10,995,848
	41,468,273	39,524,794
Accumulated depreciation	16,115,275	13,997,020
	25,352,998	25,527,774
Construction in progress	1,064,368	10,670
	26,417,366	25,538,444
DEPRECIATION FUND, certificates of deposit	3,671,046	1,000,000
UNEXPENDED FUNDS RESTRICTED FOR CONSTRUCTION (Note H)	3,574	52,744
	\$44,612,022	\$40,319,418

UNRESTRICTED FUNDS

LIABILITIES AND FUND BALANCES

	December 31	
	1980	1979
CURRENT LIABILITIES:		
Accounts payable	\$ 3,179,515	\$ 3,501,921
Payable to third party payors	1,908,975	1,880,703
Payable to University of Minnesota - physician salaries	601,102	383,624
Salaries and wages payable	2,585,873	2,187,418
Accrued vacation, holiday, severance pay and worker's compensation	3,070,000	2,511,300
Due to restricted funds	314,876	
Construction accounts payable	3,629	62,055
Current portion of equipment purchase contracts payable	173,051	84,160
CURRENT LIABILITIES	11,837,021	10,611,181
DEFERRED MEDICARE AND MEDICAID REVENUE (Note A)	445,400	521,800
EQUIPMENT PURCHASE CONTRACTS PAYABLE, less current portion (Note J)	536,903	536,573
BONDS PAYABLE, being repaid by Ramsey County and the City of Saint Paul (Note D)	12,762,100	13,626,100
COMMITMENT (Note G)		
FUND BALANCES:		
Operations Fund	2,414,295	2,741,464
Plant Fund	16,616,303	12,282,300
	19,030,598	15,023,764
	\$44,612,022	\$40,319,418

RESTRICTED FUNDS (Note A)

Cash	\$ 5,763	\$ 6,085
Grant funds receivable	404,101	324,064
Loans receivable from student nurses	24,660	31,181
Due from unrestricted funds	314,876	
	\$ 749,400	\$ 361,330

Due to unrestricted funds	\$ 49,553
Fund balances:	
Student Loan Fund	\$ 24,660
Other	724,740
	749,400
	\$ 749,400

	\$ 49,553
	31,181
	280,596
	311,777
	\$ 361,330

See notes to financial statements.

SAINT PAUL-RAMSEY MEDICAL CENTER
STATEMENTS OF REVENUES AND EXPENSES

	<u>Year ended December 31</u>	
	<u>1980</u>	<u>1979</u>
REVENUES:		
Day rate services	\$26,979,108	\$21,345,488
Ancillary services	37,750,739	33,232,965
	<u>64,729,847</u>	<u>54,578,453</u>
Provision for contractual adjustments and uncollectible accounts, including \$253,200 of free care in each year (Note G), net of \$1,800,000 and \$1,131,000, respectively, reimbursed from the County to cover uncollectible accounts (Note E)	(7,458,835)	(5,660,895)
	<u>57,271,012</u>	<u>48,917,558</u>
County support for community services (Note E)	100,000	86,000
University of Minnesota allocation (Note E)	643,772	622,306
Reimbursement of costs of special programs	1,482,475	1,531,860
Other operating revenues	<u>2,763,681</u>	<u>1,742,961</u>
	<u>62,260,940</u>	<u>52,900,685</u>
EXPENSES:		
Nursing services	12,187,061	9,925,603
Other professional services	23,319,688	19,894,465
Medical and nursing education	6,950,430	5,591,745
General services	8,173,722	7,042,394
Administrative and fiscal services	6,788,033	5,833,514
Special programs	1,482,475	1,531,860
Depreciation	2,240,081	2,015,680
Interest	580,951	605,066
Less interest payments made by Ramsey County and the City of Saint Paul (Note D)	(510,345)	(544,653)
	<u>61,212,096</u>	<u>51,895,674</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 1,048,844</u>	<u>\$ 1,005,011</u>

See notes to financial statements.

SAINT PAUL-RAMSEY MEDICAL CENTER

STATEMENTS OF CHANGES IN FUND BALANCES

	Unrestricted Funds		Restricted Fund
	Operations	Plant	
BALANCES at December 31, 1978	\$ 911,395	\$10,368,970	\$ 432,328
Excess of revenues over expenses	1,005,011		
Net additions to land, buildings and equipment	(365,030)	376,609	(11,579)
Funds and equipment donated by Medical Education and Research Foundation		1,206,876	
Depreciation expense, not funded	1,015,680	(1,015,680)	
Bond payments (Note D)		828,500	
Contributions and transfers designated for hospital construction	46,514	467,418	
Payments on equipment purchase contracts	(49,607)	49,607	
Transfer of parking fund from Restricted Fund to Operations Fund	177,501		(177,501)
Contributions received, restricted by donor			1,304,341
Restricted Fund expenditures			(1,235,812)
BALANCES at December 31, 1979	2,741,464	12,282,300	311,777
Excess of revenues over expenses	1,048,844		
Net additions to land, buildings and equipment	(831,717)	863,037	(31,320)
Funds and equipment donated by Medical Education and Research Foundation		1,852,169	
Contributions and transfers designated for hospital construction		212,464	
Depreciation funded in excess of expense	(430,965)	430,965	
Bond payments (Note D)		864,000	
Transfer of remodeling funds to Restricted Fund		(1,963)	1,963
Payments on equipment purchase contracts	(113,331)	113,331	
Contributions received, restricted by donor			2,631,379
Restricted Fund expenditures			(2,164,399)
BALANCES at December 31, 1980	<u>\$2,414,295</u>	<u>\$16,616,303</u>	<u>\$ 749,400</u>

See notes to financial statements.

SAINT PAUL-RAMSEY MEDICAL CENTER

STATEMENTS OF CHANGES IN FINANCIAL POSITION
OF UNRESTRICTED FUNDS

	<u>Year ended December 31</u>	
	<u>1980</u>	<u>1979</u>
SOURCE OF FUNDS:		
Operations:		
Excess of revenues over expenses	\$1,048,844 ✓	\$1,005,011
Depreciation	2,240,081 ✓	2,015,680
Deferred Medicaid and Medicare revenue	(76,400) ✓	(222,551)
Funds provided from operations	3,212,525	2,798,140
Funds and equipment donated by Medical Education and Research Foundation	1,852,169 ✓	1,206,876
Increase in payables	1,195,375 ✓	1,179,598
Bond principal payments made by Ramsey County and City of Saint Paul	864,000 ✓	828,500
Contributions designated for hospital construction	212,464 ✓	513,932
Increase (decrease) in equipment purchase contracts payable, net	89,221 ✓	(49,607)
Decrease in note receivable	84,489 ✓	56,326
Decrease in unexpended funds restricted for construction	49,170 ✓	229,175
Equipment purchases financed by Restricted Fund	31,320 ✓	11,579
Transfer of parking fund from Restricted Fund to Operations Fund		177,501
	<u>7,590,733</u>	<u>6,952,020</u>
APPLICATION OF FUNDS:		
Additions to land, buildings and equipment and construction in progress, less disposals	3,119,003 ✓	2,136,591
Additions to depreciation fund	2,671,046 ✓	1,000,000
Bond principal payments made by Ramsey County and City of Saint Paul	864,000 ✓	828,500
Increase in receivables	787,565 ✓	884,256
Increase in general professional liability Trust account	362,667 ✓	278,021
Decrease (increase) construction accounts payable	58,426 ✓	(30,511)
Other	50,162	103,687
	<u>7,912,869</u>	<u>5,200,544</u>
INCREASE (DECREASE) IN CASH	(322,136)	1,751,476
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF YEAR	<u>2,284,541</u>	<u>533,065</u>
CASH AND TEMPORARY CASH INVESTMENTS AT END OF YEAR	<u>\$1,962,405</u>	<u>\$2,284,541</u>

See notes to financial statements.

SAINT PAUL-RAMSEY MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1980 AND 1979

A. Summary of significant accounting policies:

Land improvements, building and equipment are being depreciated using the straight-line method over their estimated useful lives, as follows:

Land improvements	5 to 40 years
Building and building service equipment	10 to 40 years
Equipment	5 to 20 years

Contractual adjustments relating to Medicare and Medicaid are estimated each year and a charge to operations is made. Inasmuch as these adjustments are estimates, any difference between the amounts accrued and the amounts settled is recorded in operations in the year of settlement.

Deferred Medicare and Medicaid revenue represents the cumulative cost reimbursement effect of the difference in depreciation computed on an accelerated method for Medicare and Medicaid reimbursement purposes for certain assets acquired before 1971 as opposed to the straight-line method used for financial reporting purposes.

Funds received that are restricted by the donor as to use are accounted for in the Restricted Fund.

Under rules established by the Minnesota State Board of Health, hospitals are required to submit budgets and certain other data to the Minnesota Rate Review System for review and comment. The system is designed to permit a hospital to establish rates sufficient to provide for its full financial requirements, including price level depreciation and working capital requirements. The Medical Center has received approval of its 1981 rates from the Minnesota Rate Review System. Should the Medical Center's 1981 results be other than anticipated, rates in future years could be increased or decreased from budgeted requirements applicable to those years.

B. Organization:

The Saint Paul-Ramsey Medical Center facilities are operated, administered and managed by the Saint Paul-Ramsey Medical Center Commission, which was created under law enacted by the Legislature of the State of Minnesota. Pertinent financial sections of the laws governing the Commission's operation of the Medical Center are as follows:

- (1) The Commission shall establish and maintain all necessary accounts and may establish reserve accounts, depreciation accounts and working capital funds in order to operate on an accrual basis.
- (2) The Commission may, with the prior approval of the Ramsey County Board of Commissioners, obtain working capital funds for the operations and maintenance of any facility under its jurisdiction by borrowing from any funds under the jurisdiction of the Ramsey County Board of Commissioners or from any lending agency chartered to do business in the State of Minnesota, providing that:
 - (a) the outstanding amount of such borrowing at any one time does not exceed \$2,000,000
 - (b) the security for the loan will be evidenced by the notes of the Commission and the accounts receivable, or any part thereof, and
 - (c) none of the physical assets under the jurisdiction of the Commission, nor the full faith and credit of Ramsey County, can be pledged as security on such borrowings.
- (3) The Commission shall submit annually, not later than November 1, to the Ramsey County Board of Commissioners, for approval of that body, a budget that shows the estimated amount of money required for the operation and conduct of the Medical Center under control of the Commission during the next year. When funds for the construction of additional facilities are needed, the Commission shall make requests for such funds to the City of Saint Paul and Ramsey County jointly.
- (4) The Ramsey County Board of Commissioners may provide all funds, except those required for the purpose of funding prior construction indebtedness, it approves pursuant to requests duly submitted to it by the Commission. The Ramsey County Board of Commissioners is further authorized to provide emergency funds for the Commission for the purpose of operating facilities when operational income is insufficient to meet operational expenses.

- (5) Indebtedness for construction of existing facilities shall be retired as provided in Laws 1957, Chapter 938 and continue to be jointly financed by the City of Saint Paul and Ramsey County in accordance with the applicable provisions of law. If the hospital revenues justify, they may be applied to the retirement of said indebtedness.

C. Medicare and Medicaid contractual adjustments:

Revenues for hospital services to patients under various governmental programs are subject to annual cost finding procedures. Reimbursement to the Medical Center under these programs is limited to the lesser of charges or costs incurred, as defined.

A summary of approximate revenues and provisions for contractual adjustments for Medicare and Medicaid is as follows:

	<u>Year ended December 31</u>	
	<u>1980</u>	<u>1979</u>
Revenues	\$31,121,000	\$26,958,000
Contractual adjustments	5,548,000	3,890,000

Final settlement has been completed through the year ended December 31, 1978 for Medicare and through December 31, 1977 for Medicaid.

In 1979 the Department of Health, Education and Welfare adjusted general inpatient routine service cost limitation, effective for the Medical Center in 1980. The effect of this limitation increased contractual adjustments by \$1,261,193 in 1980. The Medical Center intends to file an exception request related to this limitation.

D. Bonds payable:

The bonds payable were issued by the City of Saint Paul and Ramsey County to finance the construction of the Medical Center. Repayment of these bonds is to be made by the City and County.

A summary of outstanding bonds is as follows:

	December 31	
	1980	1979
Ramsey County:		
Three separate series of bonds, 3% to 3-1/2%, payable in annual installments ranging from \$350,000 to \$555,000 (\$415,000 in 1981), with the final installment of \$350,000 due in 1993	\$ 6,135,000	\$ 6,535,000
One series of bonds, 4.75% to 5.75%, payable in annual installments of \$300,000 beginning in 1976, with the final installment of \$200,000 in 1994 and callable at the option of the County after 1984 (less unamortized discount of \$54,900 and \$62,900, respectively)	4,045,100	4,337,100
City of Saint Paul:		
Five separate series of bonds, 3-1/4% to 4%, payable in annual installments ranging from \$60,000 to \$223,000 (\$173,000 in 1981), with the final installment of \$60,000 due in 1994	2,582,000	2,754,000
	<u>\$12,762,100</u>	<u>\$13,626,100</u>

E. State and County support:

For the year ending June 30, 1981, the University of Minnesota has allocated funds aggregating \$643,583 for undergraduate instruction of medical students and on-site administration, planning and development of medical education programs at the Medical Center. These appropriations cover primarily salary costs and are being recognized as revenue on a pro rata basis over the fiscal year.

The Medical Center has received appropriations from Ramsey County in order to support the cost of services for the benefit of the community, as follows:

	Year ended December 31	
	1980	1979
Uncollectible accounts	\$1,800,000	\$1,131,000
General services	100,000	86,000
Capital expenditures	200,000	500,000
	<u>\$2,100,000</u>	<u>\$1,717,000</u>

The appropriation for 1981 is \$2,439,000, \$112,000 to general services, \$288,000 to capital expenditures and the remainder to uncollectible accounts.

F. Pension plan:

Substantially all regular employees of the Medical Center are covered by the Public Employees Retirement Association of the State of Minnesota defined benefit, multi-employer retirement plan. Contributions by the Medical Center to this plan are based on a percentage of salaries of eligible employees. The Medical Center's relative actuarial position and relative net assets available for benefits is not determinable due to the multi-employer status of this plan. Costs and expenses include contributions to this plan of approximately \$1,415,000 in 1980 and \$1,293,000 in 1979.

G. Hill-Burton Act:

In 1966, 1975 and 1976 the Medical Center received payments totalling \$2,532,180 under a Hill-Burton grant. The acceptance of these funds carried with it an obligation to provide services for persons unable to pay. The Medical Center has provided such uncompensated services in excess of ten percent annually (\$253,200) of the sum of all Hill-Burton assistance received.

H. Construction in progress:

Certain phases of remodeling the present Medical Center facilities are anticipated to cost approximately \$2,100,000, of which \$1,064,368 has been incurred through December 31, 1980. All remodeling costs will be funded primarily through contributions by the Medical Education and Research Foundation.

I. Self insurance:

The Medical Center is self-insured for general and professional liability claims. They have established a trust fund for their self-insurance program. Medical Center payments to the fund are based on actuarial estimates of future claims.

J. Equipment purchase contracts payable:

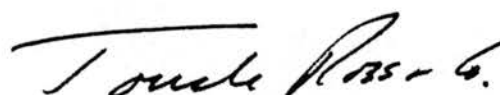
	December 31	
	<u>1980</u>	<u>1979</u>
9.00%, payable in varying amounts through May 1988	\$189,369	
9.25%, payable in varying amounts through December 1983	497,031	\$587,360
9.10%, payable in varying amounts through January 1983	23,554	33,373
	<u>709,954</u>	<u>620,733</u>
Less current portion	<u>173,051</u>	<u>84,160</u>
	<u>\$536,903</u>	<u>\$536,573</u>

K. Line of credit:

The Medical Center has available a \$2,000,000 bank line of credit. Borrowings from this line of credit are automatic if unrestricted cash balances are below \$210,000. Accounts receivable are pledged as collateral against any borrowings from the line of credit. There were no borrowings under this line of credit during 1980.

ADDITIONAL INFORMATION

Our examination of the financial statements of Saint Paul-Ramsey Medical Center (a quasi-governmental organization) for the years ended December 31, 1980 and 1979, was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the examination of the basic financial statements, and, accordingly, we express no opinion on it.



Certified Public Accountants

SAINT PAUL-RAMSEY MEDICAL CENTERSTATISTICAL DATA

Summary of beds open and staffed, average length of stay, patient days, percent of occupancy and number of inpatient admissions:

	<u>Beds open and staffed</u>	<u>Average length of stay</u>	<u>Patient days</u>	<u>Percent of occupancy</u>	<u>Number of admissions</u>
1980	418	8.50 days	124,506	81.6	14,672
1979	418	8.43	119,237	78.2	14,177
1978	413	8.42	118,807	78.7	14,128
1977	440	8.23	120,634	75.1	14,679
1976	476	8.96	130,045	74.9	14,553

Patient days (exclusive of newborn):

	<u>Year ended December 31</u>	
	<u>1980</u>	<u>1979</u>
January	9,912	9,915
February	9,749	9,199
March	9,938	10,603
April	9,621	9,591
May	9,965	9,441
June	10,185	9,330
July	10,903	10,564
August	10,812	10,466
September	9,997	10,194
October	11,242	10,841
November	11,132	9,644
December	11,050	9,449
	<u>124,506</u>	<u>119,237</u>

Emergency room and outpatient clinic visits:

	<u>Emergency room</u>	<u>Outpatient clinics</u>	<u>Total visits</u>
1980	63,738	169,382(1)	233,120
1979	64,377	151,711(1)	216,088
1978	66,637	145,679(1)	212,316
1977	68,033	117,762	185,795
1976	70,384	113,318	183,702

- (1) Outpatient clinic visits subsequent to 1977 also include the A. & D. unit, outpatient psychiatry, physical medicine and rehab and family practice.

SAINT PAUL-RAMSEY MEDICAL CENTER

GENERAL FINANCIAL DATA

A comparison of patient revenue before provisions for contractual adjustments and uncollectible accounts for the past two years is as follows:

	Year ended December 31	
	1980	1979
Inpatient revenue	\$52,497,566	\$44,167,964
Outpatient revenue	12,232,281	10,410,489
	<u>\$64,729,847</u>	<u>\$54,578,453</u>

The third party effect on excess (deficiency) of revenues over expenses is as follows:

						<u>Excess (deficiency) of revenue over expenses</u>		
	<u>Total revenue</u>	<u>Revenue subject to third party cost reimbursement</u>	<u>Percent to total</u>	<u>All other revenue</u>	<u>Percent to total</u>	<u>Third party contractual adjustment</u>	<u>Other revenues and expenses, net</u>	<u>Total</u>
1980	\$64,729,847	\$31,120,661(1)(2)	48.1%	\$33,609,186	51.9%	(\$5,548,485)	\$6,597,329	\$1,048,844
1979	54,578,453	26,958,160(1)(2)	49.4	27,620,293	50.6	(3,889,653)	4,894,664	1,005,011
1978	45,855,391	22,128,869(1)(2)	48.3	23,726,522	51.7	(2,418,378)	2,273,174	(145,204)
1977	39,348,066	19,680,368(2)	50.0	19,667,698	50.0	(894,893)	(388,988)	(1,283,881)
1976	33,460,041	18,489,801	55.3	14,970,240	44.7	(579,372)	96,143	(483,229)

Does not include medical out patient

(1) Revenue subject to Medicaid and General Assistance Medical Care reimbursements in the amount of \$12,457,330, \$11,215,208 and \$9,229,058 is estimated for 1980, 1979 and 1978, respectively. Substantially all the remaining revenue is subject to Medicare reimbursement.

(2) Third party reimbursements subsequent to June 1977 do not include Blue Cross charges, since such reimbursements are based upon covered charges.