DIGEST OF
University Hospital Bond Issue

In August, 1991, the University Hospital obtained about $30 million from bond proceeds. The hospital is pledged to pay an average of $3.4 million per year to repay the bond, or about 2 percent of the hospital's $167 million yearly net revenue. Part of the bond money went to pay off equipment leases and university loans. Another part is being used to help construct a building previously approved by the Legislature. A third portion was used to purchase new equipment and the final portion is to be used for future acqui- sitions. By using bond money for these projects, the hospital hopes to save money by paying lower financing charges, to modernize some equipment, to complete construction on a building, and to build-up reserve funds over several years which funds could be used to construct a new medical care facility provided legislative approval is obtained.

Although the hospital has authority to use debt financing without obtaining prior legislative approval, by not obtaining this approval, misunderstandings occurred. In the future, the hospital needs to keep the Legislature fully apprised of their bonding plans or the Legislature can put additional language in Title 11, Chapter 17 of the **Utah Code** requiring legislative approval to avoid these misunderstandings.

In addition, bonding was a prudent financial decision. The bond provided the hospital a cost effective way to finance its capital needs and saved money by refinancing current obligations. Other teaching hospitals use this approach. However, in the future, even greater savings may be achieved by consolidating bond issues through the state's general obligation bond or through issuing system-wide revenue bonds through the Board of Regents.

Besides being a good financial decision, the bond proceeds were used to expand the services provided and modernize equipment. Over the past decade, services provided by the hospital have increased. At the same time, obtaining timely and full reimbursement has become more difficult. Consequently, the hospital has had to use debt to expand its services and modernize its equipment.

Finally, despite pressures to provide more services with income becoming more difficult to obtain, our financial analyses show the hospital being able to repay the bond. However, the hospital has had cash flow problems because it is not billing on a timely basis. We identify several ways the hospital can streamline the billing process to collect accounts receivable more quickly.