



THE UNIVERSITY OF TEXAS SYSTEM

**PHYSICIAN/DENTAL
PRACTICE PLANS**

QUARTERLY FINANCIAL REPORT
(unaudited)

FEBRUARY 29, 2008

The University of Texas System

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Quarterly Financial Report

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For the Six Months Ending February 29, 2008

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The University of Texas System
Physician/Dental Practice Plans Year-to-Date Summary of Operations
For the Six Months Ending February 29, 2008

	<u>Year-to-Date FY 2008</u>	<u>Year-to-Date FY 2007</u>	<u>Variance</u>	<u>Variance Percentage</u>
Operating Revenues:				
Gross Charges	\$ 1,489,964,897	1,345,379,469	144,585,428	10.7%
Less:				
Un-sponsored Charity Care:				
Charity Care	251,853,633	236,385,680	15,467,953	6.5%
Medicaid Contractual Allowances	148,651,353	54,117,162	94,534,191	174.7%
Total Un-sponsored Charity Care	400,504,986	290,502,842	110,002,144	37.9%
Other Contractual Allowances	556,989,866	492,369,932	64,619,934	13.1%
Other Unreimbursed Medical Costs	44,655,061	43,183,797	1,471,264	3.4%
Bad Debt Expense	30,094,329	32,254,826	(2,160,497)	-6.7%
Net Patient Revenue	457,720,655	487,068,072	(29,347,417)	-6.0%
Contractual Revenues	190,143,362	169,657,439	20,485,923	12.1%
Other Operating Revenues	8,418,110	7,189,440	1,228,670	17.1%
Total Operating Revenues Included in Monthly Financial Report	<u>656,282,127</u>	<u>663,914,951</u>	<u>(7,632,824)</u>	<u>-1.1%</u>
Operating Expenses:				
Faculty Salaries	259,320,067	232,449,327	26,870,740	11.6%
Staff Salaries	115,078,423	102,124,022	12,954,401	12.7%
Resident Salaries	4,580,329	4,293,522	286,807	6.7%
Fringe Benefits	119,048,848	110,608,015	8,440,833	7.6%
Maintenance and Operations	123,237,468	95,819,699	27,417,769	28.6%
Professional Liability Insurance	5,081,547	8,489,050	(3,407,503)	-40.1%
Travel	8,488,856	7,888,619	600,237	7.6%
Official Functions	2,127,664	1,985,294	142,370	7.2%
Other Operating Expenses	14,460,928	12,868,734	1,592,194	12.4%
Total Operating Expenses Included in Monthly Financial Report	<u>651,424,130</u>	<u>576,526,282</u>	<u>74,897,848</u>	<u>13.0%</u>
Operating Income (Loss)	4,857,997	87,388,669	(82,530,672)	-94.4%
Investment Income	7,597,080	5,778,969	1,818,111	31.5%
Interest Expense on Debt Service	(2,772,580)	(1,235,816)	(1,536,764)	-124.4%
Adjusted Income (Loss)	9,682,497	91,931,821	(82,249,324)	-89.5%
Adjusted Income (Loss) - as a percentage	1.46%	13.73%		
Other:				
Other Nonoperating Revenues (Expenses)	1,083,643	5,084,655	(4,001,012)	-78.7%
Transfers In	6,557,030	8,412,257	(1,855,227)	-22.1%
Transfers Out	(7,273,463)	(7,889,357)	615,894	7.8%
Debt Service	(3,868,162)	(2,732,901)	(1,135,261)	-41.5%
Capital Outlay	(2,269,321)	(1,560,347)	(708,974)	-45.4%
Total Other	<u>(5,770,273)</u>	<u>1,314,307</u>	<u>(7,084,580)</u>	<u>-539.0%</u>
Change in Net Assets	3,912,224	93,246,128	(89,333,904)	-95.8%
Beginning Net Assets - As Previously Reported	610,205,289	406,765,428	203,439,861	50.0%
Restatements	-	400,853	(400,853)	-100.0%
Beginning Net Assets - As Restated	<u>610,205,289</u>	<u>407,166,281</u>	<u>203,039,008</u>	<u>49.9%</u>
Ending Net Assets	<u>\$ 614,117,513</u>	<u>500,412,409</u>	<u>113,705,104</u>	<u>22.7%</u>

**The University of Texas System
Physician/Dental Practice Plans
Comparison of Adjusted Income (Loss)
For the Six Months Ending February 29, 2008**

	<u>Year-to-Date FY 2008</u>	<u>Year-to-Date FY 2007</u>	<u>Variance</u>	<u>Variance Percentage</u>
UT Southwestern Medical Center - Dallas (Physician)	\$ 19,501,525	49,773,803	(30,272,278) (1)	-60.8%
UT Southwestern Medical Center - Dallas (Allied Health)	409,714	366,740	42,974	11.7%
UT Medical Branch - Galveston	(11,516,372)	15,409,167	(26,925,539) (2)	-174.7%
UT Health Science Center - Houston (Physician)	3,748,425	9,079,982	(5,331,557) (3)	-58.7%
UT Health Science Center - Houston (Dental)	(40,533)	(215,789)	175,256	81.2%
UT Health Science Center - San Antonio (Physician)	(3,415,249)	6,171,530	(9,586,779) (4)	-155.3%
UT Health Science Center - San Antonio (Dental)	872,495	730,772	141,723	19.4%
UT Health Science Center - San Antonio (Allied Health)	26,638	(1,567)	28,205	1,799.9%
UT M. D. Anderson Cancer Center	(167,410)	8,287,049	(8,454,459) (5)	-102.0%
UT Health Science Center at Tyler	263,264	2,330,134	(2,066,870) (6)	-88.7%
Total Adjusted Income (Loss)	\$ <u>9,682,497</u>	<u>91,931,821</u>	<u>(82,249,324)</u>	<u>-89.5%</u>

THE UNIVERSITY OF TEXAS SYSTEM
Explanations of Variances on the
Practice Plans Summary of Operations
For the Six Months Ending February 29, 2008

Explanations are provided for institutions having the largest variances in adjusted income (loss) for current year-to-date as compared to the prior year, both in terms of dollars and percentages. Explanations are also provided for institutions with a current year-to-date adjusted loss.

- (1) UT Southwestern Medical Center – Dallas (Physician Practice Plan) – The \$30.3 million (60.8%) decrease in adjusted income as compared to the same period last year was primarily attributable to a reduction in operating revenues of \$10 million, as well as an increase in operating expenses of \$19.5 million. Operating revenues decreased as a result of less revenue recognized for the Texas Physician Upper Payment Limit (UPL). The UPL had the largest impact in 2007 as retroactive adjustments from May 2004 through August 2007 were reported. During the second quarter of 2007 *Southwestern* reported UPL reimbursements of \$41.9 million as compared to \$9.1 million this year. The decrease in the UPL revenue was partially offset by an increase in gross charges due to fee and volume increases. Contractual revenues also increased \$7.8 million resulting from an increase in the contract with Parkland Hospital. Operating expenses increased as a result of higher salaries and fringe benefits due to additional full-time equivalents (FTEs), the reclassification of personnel within departments and merit increases.

- (2) UT Medical Branch - Galveston – The \$26.9 million (174.7%) decrease in adjusted income as compared to the same period last year was primarily attributable to an increase in operating expenses of \$28.6 million. Operating expenses increased primarily as a result of higher salaries and maintenance and operations. Salaries increased due to additional FTEs, annual salary increases and changes in funding source from other funding sources to practice plan funds. The allocation of overhead costs to the practice plan contributed to the increase in maintenance and operations. Although the UPL revenue recognized by *UTMB* this year was \$14.4 million less than last year at this time, operating revenues increased slightly as a result of an increase in gross charges and contractual revenues. Gross charges increased primarily due to fee increases, an increase in the number of charge transactions and operational growth. Contractual revenues increased as a result of increases in the hospital contract and the addition of departments in Austin that did not exist in 2007 or were only partially operational in 2007.

As a result of these factors, *UTMB* had a year-to-date loss of \$11.5 million. *UTMB* anticipates the physician practice plan will incur a loss of \$8.2 million by the end of 2008, which is a \$3.3 million improvement over the current year-to-date loss. This forecast is based upon the practice plan obtaining new contracts in profitable markets outside of Galveston, as well as the anticipated receipt of \$5.7 million of reimbursements for the UPL.

- (3) UT Health Science Center – Houston (Physician Practice Plan) – The \$5.3 million (58.7%) decrease in adjusted income over the same period last year was primarily due to an increase in operating expenses of \$9 million, which was partially offset by a \$3.4 million increase in operating revenues. Operating expenses increased largely as a result of increases in faculty salaries, maintenance and operations, and other operating expenses. Faculty salaries increased as a result of the recruitment of additional faculty to fill vacant positions, the recruitment of higher paid and more experienced anesthesiologists, and annual salary increases. Maintenance and operations increased primarily due to an increase in the billing/collecting fee paid to McKesson as a result of the improvement in cash collections. The increase in other operating expenses was due to expenses incurred by the nonprofit healthcare corporation, University of Texas Physicians, which manages *UTHSC-Houston's* clinics. These additional expenses were for departments which either did not exist or were inactive during the first six months of 2007.

Although the UPL revenue recognized thus far in 2008 was \$11.8 million less than the amount recognized last year at this time, operating revenues still increased primarily due to increases in gross charges and contractual revenues. Gross charges increased as a result of an adjustment to the fee schedule, increased physician productivity and the recruitment of faculty. Contractual revenues increased due to the following factors: an increase in services provided and an improvement in some contractual rates with Memorial Hermann Hospital; anesthesiology services provided at an outpatient surgical center beginning in January 2007; and various contract activities across departments.

- (4) UT Health Science Center - San Antonio (Physician Practice Plan) – The \$9.6 million (155.3%) decrease in adjusted income as compared to the same period last year was primarily attributable to an increase in operating expenses of \$7.8 million. Operating expenses increased largely due to increases in faculty and staff salaries and maintenance and operations. Faculty salaries increased as a result of recruitment and retention efforts. Both faculty and staff salaries also increased as a result of the acquisition of the Cancer Therapy Research Center (CTRC) in December 2007. *UTHSC-San Antonio* absorbed approximately 300 of CTRC’s employees and many of these employees were funded from the practice plan. The increase in maintenance and operations was largely due to an increase in the expenses of the nonprofit healthcare corporation, UT Medicine, particularly increased consulting services for revenue enhancement. The acquisition of CTRC also contributed to the increase in maintenance and operations. Although *UTHSC-San Antonio* reported \$5.8 million less in UPL revenue in 2008 as compared to 2007, this decrease was largely offset by increases in gross charges resulting from an increase in services. Contractual revenues were also higher due to an increase in the base care contracts with the Veteran’s Administration and University Health System.

Due to program expansion efforts and reinvestment in faculty and the acquisition of CTRC, as well as the preparation for the opening of the Medical Arts Research Center, *UTHSC-San Antonio* incurred a year-to-date adjusted loss of \$3.4 million. *UTHSC-San Antonio* anticipates the physician practice plan will end the year with a deficit of \$7.1 million.

- (5) UT M. D. Anderson Cancer Center – The \$8.5 million (102%) decrease in adjusted income as compared to the same period last year was primarily due to an increase in operating expenses of \$9.4 million, which was partially offset by increases in operating revenues and investment income. Operating expenses increased due to higher salaries and fringe benefits as a result of merit increases and the filling of new and vacant positions. *M. D. Anderson* reported \$7.3 million less in UPL revenue through the second quarter of this year as compared to last year; however, an increase in operating revenues due to increased patient activity and volumes lessened the impact of this reduction.

As a result of the reduction in UPL revenue combined with fewer working days in the first half of the year, *M. D. Anderson* experienced a slight loss of \$167,000. Professional fees typically increase in the second half of the year while expenses are more evenly distributed throughout the year. Therefore, *M. D. Anderson* anticipates the practice plan will generate income of approximately \$700,000 at year-end.

- (6) UT Health Science Center - Tyler – The \$2.1 million (88.7%) decrease in adjusted income as compared to the same period last year was primarily attributable to the reduction in the UPL revenue recognized. Through the second quarter of 2007, *UTHSC-Tyler* reported UPL revenue of \$2.6 million as compared to only \$771,000 in 2008.

GLOSSARY OF TERMS

OPERATING REVENUES:

GROSS CHARGES – Posted charges for patient care services at scheduled rates.

UNSPONSORED CHARITY CARE – The sum of Charity Care and Medicaid Contractual Allowances.

CHARITY CARE – Unreimbursed charges to financially or medically indigent patients, including contractual adjustments and other unreimbursed charges to State Children’s Health Insurance Program and other governmental programs indexed to the federal poverty level. Contractual adjustments include fee-for-service and capitation.

MEDICAID CONTRACTUAL ALLOWANCES – Contractual adjustments and other unreimbursed charges to Medicaid. The federal portion of the Medicaid Physician Upper Payment Limit (UPL) supplemental payment program should be recorded here as an offset to the Medicaid contractual allowances.

CONTRACTUAL ADJUSTMENTS – The difference between the gross charge and the discounted amount agreed to by a third party contract, such as Preferred Provider Organizations, Health Maintenance Organizations and Medicare, including the difference between gross charges and the related capitated payments.

OTHER UNREIMBURSED MEDICAL COSTS – All other write-offs (i.e., unbilled charges, discounts for personal courtesy and employees, unreimbursed research expenses, denied charges, missed billing deadlines).

BAD DEBT EXPENSE – Charges that were at one time the responsibility of a private pay patient or third party payor that are deemed uncollectible.

NET PATIENT REVENUES – Gross charges less all deductions.

CONTRACTUAL REVENUES – Lump sum income for contracted physician services related to affiliated hospitals and organizations, jails, medical director services, and clinical oversight.

OTHER OPERATING REVENUES – Other operating-related revenue items not listed elsewhere.

OPERATING EXPENSES:

FACULTY SALARIES – All faculty salary payments including salary augmentation. Does not include incentive payments or supplemental retirement annuities.

STAFF SALARIES – All nonfaculty salary payments, excluding resident salaries.

RESIDENT SALARIES – Salaries paid to resident physicians.

FRINGE BENEFITS – Group insurance premiums (net of premium sharing) paid by the plan, supplemental retirement payments, incentive payments, and parking fees as authorized by the Medical Services Research and Development Plan/Physicians’ Referral Service Bylaws, and mandatory state benefits (retirement, OASI, WCI, premium sharing, etc.).

MAINTENANCE AND OPERATIONS – All expenses not classified elsewhere, i.e., utilities, supplies, repairs and maintenance, shipping and postage, etc.

PROFESSIONAL LIABILITY INSURANCE – Professional liability insurance premiums paid by the institution on behalf of plan members.

TRAVEL – All costs associated with travel.

OFFICIAL FUNCTIONS – Business related events that are of documented benefit to the institution.

OTHER OPERATING EXPENSES – Other operating-related expense items not listed elsewhere.

OPERATING INCOME (LOSS) – Total operating revenues less total operating expenses before other nonoperating adjustments like investment income and interest expense.

INVESTMENT INCOME – Income earned from investments.

INTEREST EXPENSE ON DEBT SERVICE – Interest expense only on debt service.

ADJUSTED INCOME (LOSS) – Operating income (loss) adjusted for investment income and interest expense on debt service.

ADJUSTED INCOME (LOSS) AS A PERCENTAGE – Adjusted income (loss) divided by total operating revenues plus investment income.

OTHER NONOPERATING REVENUES (EXPENSES) – Other nonoperating revenue or expense items not identified elsewhere including the change in fair market value.

TRANSFERS IN – Transfers from non-practice plan funds.

TRANSFERS OUT – Transfers to non-practice plan funds.

DEBT SERVICE – Principal paid on any debt, i.e., building construction, renovation, lease-purchase agreements, etc.

CAPITAL OUTLAY – Cost of capital acquisitions funded from plan resources.

**The University of Texas Southwestern Medical Center at Dallas
Physician Practice Plan Year-to-Date Summary of Operations*
For the Six Months Ending February 29, 2008**

	<u>Year-to-Date FY 2008</u>	<u>Year-to-Date FY 2007</u>	<u>Variance</u>	<u>Variance Percentage</u>
Operating Revenues:				
Gross Charges	\$ 522,158,811	469,104,532	53,054,279	11.3%
Less:				
Un-sponsored Charity Care:				
Charity Care	132,245,978	123,723,100	8,522,878	6.9%
Medicaid Contractual Allowances	62,255,348	23,038,553	39,216,795	170.2%
Total Un-sponsored Charity Care	194,501,326	146,761,653	47,739,673	32.5%
Other Contractual Allowances	155,323,023	135,104,575	20,218,448	15.0%
Other Unreimbursed Medical Costs	13,168,114	11,275,851	1,892,263	16.8%
Bad Debt Expense	7,399,949	7,711,448	(311,499)	-4.0%
Net Patient Revenues	151,766,399	168,251,005	(16,484,606)	-9.8%
Contractual Revenues	75,114,842	67,337,847	7,776,995	11.5%
Other Operating Revenues	2,053,780	3,381,191	(1,327,411)	-39.3%
Total Operating Revenues Included in Monthly Financial Report	<u>228,935,021</u>	<u>238,970,043</u>	<u>(10,035,022)</u>	<u>-4.2%</u>
Operating Expenses:				
Faculty Salaries	76,372,009	67,136,828	9,235,181	13.8%
Staff Salaries	55,662,792	50,113,429	5,549,363	11.1%
Fringe Benefits	39,790,400	36,479,751	3,310,649	9.1%
Maintenance and Operations	34,120,596	32,331,127	1,789,469	5.5%
Professional Liability Insurance	1,259,532	1,971,848	(712,316)	-36.1%
Travel	1,647,424	1,397,953	249,471	17.8%
Official Functions	356,645	307,265	49,380	16.1%
Total Operating Expenses Included in Monthly Financial Report	<u>209,209,398</u>	<u>189,738,201</u>	<u>19,471,197</u>	<u>10.3%</u>
Operating Income (Loss)	19,725,623	49,231,842	(29,506,219)	-59.9%
Investment Income	1,488,773	1,705,616	(216,843)	-12.7%
Interest Expense on Debt Service	(1,712,871)	(1,163,655)	(549,216)	-47.2%
Adjusted Income (Loss)	19,501,525	49,773,803	(30,272,278)	-60.8%
Adjusted Income (Loss) - as a percentage	8.46%	20.68%		
Other:				
Transfers In	5,637,556	7,276,520	(1,638,964)	-22.5%
Transfers Out	(5,686,952)	(6,576,271)	889,319	13.5%
Debt Service	(3,868,162)	(2,732,901)	(1,135,261)	-41.5%
Capital Outlay	(1,498,880)	(918,782)	(580,098)	-63.1%
Total Other	<u>(5,416,438)</u>	<u>(2,951,434)</u>	<u>(2,465,004)</u>	<u>-83.5%</u>
Change in Net Assets	14,085,087	46,822,369	(32,737,282)	-69.9%
Beginning Net Assets - As Previously Reported	<u>261,051,194</u>	<u>163,810,537</u>	<u>97,240,657</u>	<u>59.4%</u>
Ending Net Assets	<u>\$ 275,136,281</u>	<u>210,632,906</u>	<u>64,503,375</u>	<u>30.6%</u>

*Includes the operations of the nonprofit healthcare corporation.

**The University of Texas Southwestern Medical Center at Dallas
Allied Health Faculty Services Plan Year-to-Date Summary of Operations
For the Six Months Ending February 29, 2008**

	<u>Year-to-Date FY 2008</u>	<u>Year-to-Date FY 2007</u>	<u>Variance</u>	<u>Variance Percentage</u>
Operating Revenues:				
Gross Charges	\$ 1,443,537	1,191,782	251,755	21.1%
Less:				
Un-sponsored Charity Care:				
Charity Care	1,598	5,577	(3,979)	-71.3%
Total Un-sponsored Charity Care	1,598	5,577	(3,979)	-71.3%
Other Contractual Allowances	363,635	278,899	84,736	30.4%
Other Unreimbursed Medical Costs	12,463	15,411	(2,948)	-19.1%
Bad Debt Expense	7,854	16,316	(8,462)	-51.9%
Net Patient Revenues	1,057,987	875,579	182,408	20.8%
Contractual Revenues	156,105	158,589	(2,484)	-1.6%
Other Operating Revenues	24,222	13,121	11,101	84.6%
Total Operating Revenues Included in Monthly Financial Report	<u>1,238,314</u>	<u>1,047,289</u>	<u>191,025</u>	<u>18.2%</u>
Operating Expenses:				
Faculty Salaries	157,765	171,538	(13,773)	-8.0%
Staff Salaries	122,775	112,436	10,339	9.2%
Fringe Benefits	184,502	140,874	43,628	31.0%
Maintenance and Operations	347,677	239,337	108,340	45.3%
Professional Liability Insurance	334	1,584	(1,250)	-78.9%
Travel	15,514	15,249	265	1.7%
Official Functions	4,520	4,018	502	12.5%
Total Operating Expenses Included in Monthly Financial Report	<u>833,087</u>	<u>685,036</u>	<u>148,051</u>	<u>21.6%</u>
Operating Income (Loss)	405,227	362,253	42,974	11.9%
Investment Income	4,487	4,487	-	0.0%
Adjusted Income (Loss)	409,714	366,740	42,974	11.7%
Adjusted Income (Loss) - as a percentage	32.97%	34.87%		
Other:				
Transfers Out	(113,386)	(63,142)	(50,244)	-79.6%
Change in Net Assets	296,328	303,598	(7,270)	-2.4%
Beginning Net Assets - As Previously Reported	<u>4,337,269</u>	<u>3,590,860</u>	<u>746,409</u>	<u>20.8%</u>
Ending Net Assets	<u>\$ 4,633,597</u>	<u>3,894,458</u>	<u>739,139</u>	<u>19.0%</u>

**The University of Texas Medical Branch at Galveston
Physician Practice Plan Year-to-Date Summary of Operations
For the Six Months Ending February 29, 2008**

	<u>Year-to-Date FY 2008</u>	<u>Year-to-Date FY 2007</u>	<u>Variance</u>	<u>Variance Percentage</u>
Operating Revenues:				
Gross Charges	\$ 174,193,969	153,903,774	20,290,195	13.2%
Less:				
Un-sponsored Charity Care:				
Charity Care	16,548,462	14,560,083	1,988,379	13.7%
Medicaid Contractual Allowances	29,478,121	9,526,230	19,951,891	209.4%
Total Un-sponsored Charity Care	46,026,583	24,086,313	21,940,270	91.1%
Other Contractual Allowances	45,596,913	41,519,111	4,077,802	9.8%
Other Unreimbursed Medical Costs	11,463,311	12,384,595	(921,284)	-7.4%
Bad Debt Expense	6,536,148	5,724,055	812,093	14.2%
Net Patient Revenues	64,571,014	70,189,700	(5,618,686)	-8.0%
Contractual Revenues	27,687,203	22,231,049	5,456,154	24.5%
Other Operating Revenues	1,931,432	716,313	1,215,119	169.6%
Total Operating Revenues Included in Monthly Financial Report	<u>94,189,649</u>	<u>93,137,062</u>	<u>1,052,587</u>	<u>1.1%</u>
Operating Expenses:				
Faculty Salaries	42,076,084	36,339,996	5,736,088	15.8%
Staff Salaries	18,188,795	14,533,324	3,655,471	25.2%
Resident Salaries	4,580,329	4,293,522	286,807	6.7%
Fringe Benefits	11,032,345	9,685,507	1,346,838	13.9%
Maintenance and Operations	28,455,976	9,832,392	18,623,584	189.4%
Professional Liability Insurance	1,673,844	2,732,419	(1,058,575)	-38.7%
Travel	774,878	731,914	42,964	5.9%
Official Functions	33,127	115,021	(81,894)	-71.2%
Total Operating Expenses Included in Monthly Financial Report	<u>106,815,378</u>	<u>78,264,095</u>	<u>28,551,283</u>	<u>36.5%</u>
Operating Income (Loss)	(12,625,729)	14,872,967	(27,498,696)	-184.9%
Investment Income	1,109,357	536,200	573,157	106.9%
Adjusted Income (Loss)	(11,516,372)	15,409,167	(26,925,539)	-174.7%
Adjusted Income (Loss) - as a percentage	-12.08%	16.45%		
Other:				
Other Nonoperating Revenues (Expenses)	-	(26)	26	100.0%
Transfers Out	(1,355,976)	(335,000)	(1,020,976)	-304.8%
Capital Outlay	(215,430)	(97,828)	(117,602)	-120.2%
Total Other	(1,571,406)	(432,854)	(1,138,552)	-263.0%
Change in Net Assets	(13,087,778)	14,976,313	(28,064,091)	-187.4%
Beginning Net Assets - As Previously Reported	81,306,450	46,774,781	34,531,669	73.8%
Ending Net Assets	<u>\$ 68,218,672</u>	<u>61,751,094</u>	<u>6,467,578</u>	<u>10.5%</u>

**The University of Texas Health Science Center at Houston
Physician Practice Plan Year-to-Date Summary of Operations*
For the Six Months Ending February 29, 2008**

	<u>Year-to-Date FY 2008</u>	<u>Year-to-Date FY 2007</u>	<u>Variance</u>	<u>Variance Percentage</u>
Operating Revenues:				
Gross Charges	\$ 252,839,815	228,316,189	24,523,626	10.7%
Less:				
Un-sponsored Charity Care:				
Charity Care	54,679,852	57,360,390	(2,680,538)	-4.7%
Medicaid Contractual Allowances	35,708,209	14,942,655	20,765,554	139.0%
Total Un-sponsored Charity Care	90,388,061	72,303,045	18,085,016	25.0%
Other Contractual Allowances	85,104,586	77,123,902	7,980,684	10.3%
Other Unreimbursed Medical Costs	8,869,394	9,394,925	(525,531)	-5.6%
Bad Debt Expense	9,587,913	8,493,362	1,094,551	12.9%
Net Patient Revenues	58,889,861	61,000,955	(2,111,094)	-3.5%
Contractual Revenues	47,495,059	42,550,887	4,944,172	11.6%
Other Operating Revenues	2,661,941	2,090,671	571,270	27.3%
Total Operating Revenues Included in Monthly Financial Report	<u>109,046,861</u>	<u>105,642,513</u>	<u>3,404,348</u>	<u>3.2%</u>
Operating Expenses:				
Faculty Salaries	48,401,333	43,349,231	5,052,102	11.7%
Staff Salaries	13,725,756	12,681,232	1,044,524	8.2%
Fringe Benefits	13,576,906	13,438,504	138,402	1.0%
Maintenance and Operations	14,371,443	12,603,586	1,767,857	14.0%
Professional Liability Insurance	690,363	1,158,111	(467,748)	-40.4%
Travel	559,889	556,650	3,239	0.6%
Official Functions	358,118	481,664	(123,546)	-25.6%
Other Operating Expenses	14,460,928	12,868,734	1,592,194	12.4%
Total Operating Expenses Included in Monthly Financial Report	<u>106,144,736</u>	<u>97,137,712</u>	<u>9,007,024</u>	<u>9.3%</u>
Operating Income (Loss)	2,902,125	8,504,801	(5,602,676)	-65.9%
Investment Income	846,300	575,181	271,119	47.1%
Adjusted Income (Loss)	3,748,425	9,079,982	(5,331,557)	-58.7%
Adjusted Income (Loss) - as a percentage	3.41%	8.55%		
Other:				
Other Nonoperating Revenues (Expenses)	-	33,000	(33,000)	-100.0%
Transfers In	761,204	-	761,204	100.0%
Transfers Out	-	(838,836)	838,836	100.0%
Capital Outlay	(385,046)	(138,885)	(246,161)	-177.2%
Total Other	<u>376,158</u>	<u>(944,721)</u>	<u>1,320,879</u>	<u>139.8%</u>
Change in Net Assets	4,124,583	8,135,261	(4,010,678)	-49.3%
Beginning Net Assets - As Previously Reported	<u>57,876,828</u>	<u>37,395,886</u>	<u>20,480,942</u>	<u>54.8%</u>
Ending Net Assets	<u>\$ 62,001,411</u>	<u>45,531,147</u>	<u>16,470,264</u>	<u>36.2%</u>

*Includes the operations of the nonprofit healthcare corporation.

**The University of Texas Health Science Center at Houston
Dental Practice Plan Year-to-Date Summary of Operations
For the Six Months Ending February 29, 2008**

	<u>Year-to-Date FY 2008</u>	<u>Year-to-Date FY 2007</u>	<u>Variance</u>	<u>Variance Percentage</u>
Operating Revenues:				
Gross Charges	\$ 1,371,313	1,528,732	(157,419)	-10.3%
Less:				
Un-sponsored Charity Care:				
Charity Care	75,022	-	75,022	100.0%
Medicaid Contractual Allowances	143,072	-	143,072	100.0%
Total Un-sponsored Charity Care	<u>218,094</u>	<u>-</u>	<u>218,094</u>	<u>100.0%</u>
Other Contractual Allowances	523,523	628,130	(104,607)	-16.7%
Bad Debt Expense	62,812	228,418	(165,606)	-72.5%
Net Patient Revenues	<u>566,884</u>	<u>672,184</u>	<u>(105,300)</u>	<u>-15.7%</u>
Contractual Revenues	182,546	69,052	113,494	164.4%
Other Operating Revenues	-	6,301	(6,301)	-100.0%
Total Operating Revenues Included in Monthly Financial Report	<u>749,430</u>	<u>747,537</u>	<u>1,893</u>	<u>0.3%</u>
Operating Expenses:				
Faculty Salaries	143,013	120,468	22,545	18.7%
Staff Salaries	292,111	331,447	(39,336)	-11.9%
Fringe Benefits	94,858	94,997	(139)	-0.1%
Maintenance and Operations	252,382	306,260	(53,878)	-17.6%
Travel	6,451	107,274	(100,823)	-94.0%
Official Functions	1,148	2,880	(1,732)	-60.1%
Total Operating Expenses Included in Monthly Financial Report	<u>789,963</u>	<u>963,326</u>	<u>(173,363)</u>	<u>-18.0%</u>
Adjusted Income (Loss)	(40,533)	(215,789)	175,256	81.2%
Adjusted Income (Loss) - as a percentage	-5.41%	N/A		
Change in Net Assets	(40,533)	(215,789)	175,256	81.2%
Beginning Net Assets - As Previously Reported	375,966	216,617	159,349	73.6%
Restatements	-	400,853	(400,853)	-100.0%
Beginning Net Assets - As Restated	<u>375,966</u>	<u>617,470</u>	<u>(241,504)</u>	<u>-39.1%</u>
Ending Net Assets	<u>\$ 335,433</u>	<u>401,681</u>	<u>(66,248)</u>	<u>-16.5%</u>

**The University of Texas Health Science Center at San Antonio
Physician Practice Plan Year-to-Date Summary of Operations*
For the Six Months Ending February 29, 2008**

	<u>Year-to-Date FY 2008</u>	<u>Year-to-Date FY 2007</u>	<u>Variance</u>	<u>Variance Percentage</u>
Operating Revenues:				
Gross Charges	\$ 129,055,243	115,368,214	13,687,029	11.9%
Less:				
Un-sponsored Charity Care:				
Charity Care	39,408,211	30,272,419	9,135,792	30.2%
Medicaid Contractual Allowances	8,640,002	5,506,539	3,133,463	56.9%
Total Un-sponsored Charity Care	<u>48,048,213</u>	<u>35,778,958</u>	<u>12,269,255</u>	<u>34.3%</u>
Other Contractual Allowances	38,088,285	28,232,432	9,855,853	34.9%
Other Unreimbursed Medical Costs	399,909	1,055,967	(656,058)	-62.1%
Bad Debt Expense	2,383,765	6,064,381	(3,680,616)	-60.7%
Net Patient Revenues	<u>40,135,071</u>	<u>44,236,476</u>	<u>(4,101,405)</u>	<u>-9.3%</u>
Contractual Revenues	38,397,557	35,970,405	2,427,152	6.7%
Other Operating Revenues	1,089,717	768,136	321,581	41.9%
Total Operating Revenues Included in Monthly Financial Report	<u>79,622,345</u>	<u>80,975,017</u>	<u>(1,352,672)</u>	<u>-1.7%</u>
Operating Expenses:				
Faculty Salaries	36,555,321	33,418,253	3,137,068	9.4%
Staff Salaries	5,379,930	4,402,971	976,959	22.2%
Fringe Benefits	9,747,463	8,877,011	870,452	9.8%
Maintenance and Operations	29,231,127	26,135,112	3,096,015	11.8%
Professional Liability Insurance	604,733	1,152,588	(547,855)	-47.5%
Travel	718,130	672,108	46,022	6.8%
Official Functions	647,486	401,687	245,799	61.2%
Total Operating Expenses Included in Monthly Financial Report	<u>82,884,190</u>	<u>75,059,730</u>	<u>7,824,460</u>	<u>10.4%</u>
Operating Income (Loss)	(3,261,845)	5,915,287	(9,177,132)	-155.1%
Investment Income	906,305	328,404	577,901	176.0%
Interest Expense on Debt Service	(1,059,709)	(72,161)	(987,548)	-1,368.5%
Adjusted Income (Loss)	(3,415,249)	6,171,530	(9,586,779)	-155.3%
Adjusted Income (Loss) - as a percentage	-4.24%	7.59%		
Other:				
Transfers In	93,750	295,515	(201,765)	-68.3%
Transfers Out	(112,593)	(51,108)	(61,485)	-120.3%
Capital Outlay	(131,779)	(357,287)	225,508	63.1%
Total Other	<u>(150,622)</u>	<u>(112,880)</u>	<u>(37,742)</u>	<u>-33.4%</u>
Change in Net Assets	(3,565,871)	6,058,650	(9,624,521)	-158.9%
Beginning Net Assets - As Previously Reported	<u>80,552,849</u>	<u>63,447,258</u>	<u>17,105,591</u>	<u>27.0%</u>
Ending Net Assets	<u>\$ 76,986,978</u>	<u>69,505,908</u>	<u>7,481,070</u>	<u>10.8%</u>

*Includes the operations of the nonprofit healthcare corporation.

**The University of Texas Health Science Center at San Antonio
Dental Practice Plan Year-to-Date Summary of Operations
For the Six Months Ending February 29, 2008**

	<u>Year-to-Date FY 2008</u>	<u>Year-to-Date FY 2007</u>	<u>Variance</u>	<u>Variance Percentage</u>
Operating Revenues:				
Gross Charges	\$ 4,380,312	4,162,448	217,864	5.2%
Other Operating Revenues	388,313	-	388,313	100.0%
Total Operating Revenues Included in Monthly Financial Report	<u>4,768,625</u>	<u>4,162,448</u>	<u>606,177</u>	<u>14.6%</u>
Operating Expenses:				
Faculty Salaries	910,484	830,841	79,643	9.6%
Staff Salaries	768,737	783,481	(14,744)	-1.9%
Fringe Benefits	533,421	488,539	44,882	9.2%
Maintenance and Operations	1,576,338	1,235,706	340,632	27.6%
Professional Liability Insurance	18,384	28,015	(9,631)	-34.4%
Travel	83,209	63,187	20,022	31.7%
Official Functions	58,895	50,135	8,760	17.5%
Total Operating Expenses Included in Monthly Financial Report	<u>3,949,468</u>	<u>3,479,904</u>	<u>469,564</u>	<u>13.5%</u>
Operating Income (Loss)	819,157	682,544	136,613	20.0%
Investment Income	53,338	48,228	5,110	10.6%
Adjusted Income (Loss)	872,495	730,772	141,723	19.4%
Adjusted Income (Loss) - as a percentage	18.09%	17.36%		
Other:				
Transfers In	17,931	587,300	(569,369)	-96.9%
Transfers Out	(3,456)	(25,000)	21,544	86.2%
Capital Outlay	(38,186)	(47,565)	9,379	19.7%
Total Other	<u>(23,711)</u>	<u>514,735</u>	<u>(538,446)</u>	<u>-104.6%</u>
Change in Net Assets	848,784	1,245,507	(396,723)	-31.9%
Beginning Net Assets - As Previously Reported	<u>13,965,153</u>	<u>14,262,431</u>	<u>(297,278)</u>	<u>-2.1%</u>
Ending Net Assets	<u>\$ 14,813,937</u>	<u>15,507,938</u>	<u>(694,001)</u>	<u>-4.5%</u>

**The University of Texas Health Science Center at San Antonio
Allied Health Practice Plan Year-to-Date Summary of Operations
For the Six Months Ending February 29, 2008**

	<u>Year-to-Date FY 2008</u>	<u>Year-to-Date FY 2007</u>	<u>Variance</u>	<u>Variance Percentage</u>
Operating Revenues:				
Gross Charges	\$ 25,486	21,620	3,866	17.9%
Other Operating Revenues	22,765	-	22,765	100.0%
Total Operating Revenues Included in Monthly Financial Report	<u>48,251</u>	<u>21,620</u>	<u>26,631</u>	<u>123.2%</u>
Operating Expenses:				
Faculty Salaries	3,552	4,560	(1,008)	-22.1%
Staff Salaries	9,461	8,326	1,135	13.6%
Fringe Benefits	913	1,007	(94)	-9.3%
Maintenance and Operations	3,452	5,303	(1,851)	-34.9%
Travel	3,167	1,644	1,523	92.6%
Official Functions	1,163	2,347	(1,184)	-50.4%
Total Operating Expenses Included in Monthly Financial Report	<u>21,708</u>	<u>23,187</u>	<u>(1,479)</u>	<u>-6.4%</u>
Operating Income (Loss)	26,543	(1,567)	28,110	1,793.9%
Investment Income	95	-	95	100.0%
Adjusted Income (Loss)	26,638	(1,567)	28,205	1,799.9%
Adjusted Income (Loss) - as a percentage	55.10%	-7.25%		
Other:				
Transfers In	2,840	-	2,840	100.0%
Transfers Out	(1,100)	-	(1,100)	-100.0%
Total Other	<u>1,740</u>	<u>-</u>	<u>1,740</u>	<u>100.0%</u>
Change in Net Assets	28,378	(1,567)	29,945	1911.0%
Beginning Net Assets - As Previously Reported	<u>68,158</u>	<u>55,016</u>	<u>13,142</u>	<u>23.9%</u>
Ending Net Assets	<u>\$ 96,536</u>	<u>53,449</u>	<u>43,087</u>	<u>80.6%</u>

**The University of Texas M. D. Anderson Cancer Center
Physician Practice Plan Year-to-Date Summary of Operations
For the Six Months Ending February 29, 2008**

	<u>Year-to-Date FY 2008</u>	<u>Year-to-Date FY 2007</u>	<u>Variance</u>	<u>Variance Percentage</u>
Operating Revenues:				
Gross Charges	\$ 387,597,508	354,674,648	32,922,860	9.3%
Less:				
Un-sponsored Charity Care:				
Charity Care	8,230,709	9,517,530	(1,286,821)	-13.5%
Medicaid Contractual Allowances	11,141,706	1,949,244	9,192,462	471.6%
Total Un-sponsored Charity Care	19,372,415	11,466,774	7,905,641	68.9%
Other Contractual Allowances	224,093,489	201,837,828	22,255,661	11.0%
Other Unreimbursed Medical Costs	10,443,400	8,658,351	1,785,049	20.6%
Bad Debt Expense	2,974,648	2,462,169	512,479	20.8%
Net Patient Revenues	130,713,556	130,249,526	464,030	0.4%
Other Operating Revenues	173,490	99,806	73,684	73.8%
Total Operating Revenues Included in Monthly Financial Report	<u>130,887,046</u>	<u>130,349,332</u>	<u>537,714</u>	<u>0.4%</u>
Operating Expenses:				
Faculty Salaries	51,217,679	47,871,437	3,346,242	7.0%
Staff Salaries	20,435,561	18,073,573	2,361,988	13.1%
Fringe Benefits	43,471,177	40,650,860	2,820,317	6.9%
Maintenance and Operations	12,817,877	11,766,269	1,051,608	8.9%
Professional Liability Insurance	772,414	1,329,806	(557,392)	-41.9%
Travel	4,641,648	4,295,957	345,691	8.0%
Official Functions	666,562	620,277	46,285	7.5%
Total Operating Expenses Included in Monthly Financial Report	<u>134,022,918</u>	<u>124,608,179</u>	<u>9,414,739</u>	<u>7.6%</u>
Operating Income (Loss)	(3,135,872)	5,741,153	(8,877,025)	-154.6%
Investment Income	2,968,462	2,545,897	422,565	16.6%
Adjusted Income (Loss)	(167,410)	8,287,049	(8,454,459)	-102.0%
Adjusted Income (Loss) - as a percentage	-0.13%	6.24%		
Other:				
Other Nonoperating Revenues (Expenses)	1,007,930	5,051,681	(4,043,751)	-80.0%
Transfers In	-	800	(800)	-100.0%
Total Other	<u>1,007,930</u>	<u>5,052,481</u>	<u>(4,044,551)</u>	<u>-80.1%</u>
Change in Net Assets	840,520	13,339,530	(12,499,010)	-93.7%
Beginning Net Assets - As Previously Reported	<u>103,513,903</u>	<u>75,604,590</u>	<u>27,909,313</u>	<u>36.9%</u>
Ending Net Assets	<u>\$ 104,354,423</u>	<u>88,944,120</u>	<u>15,410,303</u>	<u>17.3%</u>

**The University of Texas Health Science Center at Tyler
Physician Practice Plan Year-to-Date Summary of Operations*
For the Six Months Ending February 29, 2008**

	<u>Year-to-Date FY 2008</u>	<u>Year-to-Date FY 2007</u>	<u>Variance</u>	<u>Variance Percentage</u>
Operating Revenues:				
Gross Charges	\$ 16,898,903	17,107,530	(208,627)	-1.2%
Less:				
Un-sponsored Charity Care:				
Charity Care	663,801	946,581	(282,780)	-29.9%
Medicaid Contractual Allowances	1,284,895	(846,059)	2,130,954	251.9%
Total Un-sponsored Charity Care	1,948,696	100,522	1,848,174	1,838.6%
Other Contractual Allowances	7,896,412	7,645,055	251,357	3.3%
Other Unreimbursed Medical Costs	298,470	398,697	(100,227)	-25.1%
Bad Debt Expense	1,141,240	1,554,677	(413,437)	-26.6%
Net Patient Revenues	5,614,085	7,408,579	(1,794,494)	-24.2%
Contractual Revenues	1,110,050	1,339,610	(229,560)	-17.1%
Other Operating Revenues	72,450	113,901	(41,451)	-36.4%
Total Operating Revenues Included in Monthly Financial Report	<u>6,796,585</u>	<u>8,862,090</u>	<u>(2,065,505)</u>	<u>-23.3%</u>
Operating Expenses:				
Faculty Salaries	3,482,827	3,206,175	276,652	8.6%
Staff Salaries	492,505	1,083,803	(591,298)	-54.6%
Fringe Benefits	616,863	750,965	(134,102)	-17.9%
Maintenance and Operations	2,060,600	1,364,607	695,993	51.0%
Professional Liability Insurance	61,943	114,679	(52,736)	-46.0%
Travel	38,546	46,683	(8,137)	-17.4%
Total Operating Expenses Included in Monthly Financial Report	<u>6,753,284</u>	<u>6,566,912</u>	<u>186,372</u>	<u>2.8%</u>
Operating Income (Loss)	43,301	2,295,178	(2,251,877)	-98.1%
Investment Income	219,963	34,956	185,007	529.3%
Adjusted Income (Loss)	263,264	2,330,134	(2,066,870)	-88.7%
Adjusted Income (Loss) - as a percentage	3.75%	26.19%		
Other:				
Other Nonoperating Revenues (Expenses)	75,713	-	75,713	100.0%
Transfers In	43,749	252,122	(208,373)	-82.6%
Total Other	<u>119,462</u>	<u>252,122</u>	<u>(132,660)</u>	<u>-52.6%</u>
Change in Net Assets	382,726	2,582,256	(2,199,530)	-85.2%
Beginning Net Assets - As Previously Reported	<u>7,157,519</u>	<u>1,607,452</u>	<u>5,550,067</u>	<u>345.3%</u>
Ending Net Assets	<u>\$ 7,540,245</u>	<u>4,189,708</u>	<u>3,350,537</u>	<u>80.0%</u>

*Includes the operations of the nonprofit healthcare corporation.