

STATE OF WEST VIRGINIA

SPECIAL REPORT

OF

**UNIVERSITY PHYSICIANS AND SURGEONS, INC
(MARSHALL UNIVERSITY MEDICAL CORPORATION)**

ANALYSIS OF FINANCIAL STATEMENTS

FOR THE PERIOD

JULY 1, 1995 – JUNE 30, 2000



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

**UNIVERSITY PHYSICIANS & SURGEONS, INC.
(MARSHALL UNIVERSITY MEDICAL CORPORATION)**

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WEST VIRGINIA LEGISLATURE

Joint Committee on Government and Finance

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To the Joint Committee on Government and Finance:

The objectives of the Special Report were to evaluate and analyze the financial statements of University Physicians & Surgeons, Inc., also known as the Marshall University Medical Corporation for the period July 1, 1995 through June 30, 2000. To achieve the objectives, we performed the following:

Requested and obtained various financial information from University Physicians & Surgeons, Inc. for the period July 1, 1995 - June 30, 2000. The financial information obtained included copies of audit reports of University Physicians & Surgeons, Inc. for the years ended June 30, 1996 through June 30, 2000;

Evaluated and analyzed the Balance Sheets and Statements of Revenues and Expenses of University Physicians & Surgeons, Inc. for the years ended June 30, 1996 through June 30, 2000. The analysis included calculating key financial ratios as a means of assessing the overall financial condition of University Physicians & Surgeons, Inc. The General Remarks section of this Special Report discloses the analysis of these financial ratios; and,

Contacted the State Board of Risk and Insurance Management and the Marshall University School of Medicine to determine the amount of Medical Malpractice insurance premiums paid by University Physicians & Surgeons, Inc. on behalf of faculty physicians during the years ended June 30, 1996 through June 30, 2000.

As stated above, the results of our work are contained in the General Remarks Section of this Special Report.

A handwritten signature in black ink that reads "Theford L. Shanklin".

Theford L. Shanklin, CPA, Director
Legislative Post Audit Division

August 16, 2001
Auditors: Michael A. House, CPA, Supervisor

UNIVERSITY PHYSICIANS & SURGEONS, INC.
(MARSHALL UNIVERSITY MEDICAL CORPORATION)

ANALYSIS OF FINANCIAL STATEMENTS

INTRODUCTION

University Physicians & Surgeons, Inc. (the Corporation) is private not-for-profit corporation recognized under Section 501 (c) (3) of the Internal Revenue Code. The Corporation which is also informally known as the “Marshall University Medical Corporation” was established by the Marshall University School of Medicine using the powers granted within University System of West Virginia Board of Trustees’ Policy Bulletin Number 36 for the purpose of managing the administrative affairs relating to patient care activities of the faculty physicians of the Marshall University School of Medicine and other health care providers. Among the administrative affairs managed by the Corporation are the following: Administering, operating and maintaining the outpatient care facilities which also act as training sites for students enrolled in the professional, post-graduate education and training programs of the Marshall University School of Medicine; billing and collecting fees for service, contractual and other income derived from these patient care and educational activities and paying costs associated with the operation and maintenance of the Corporation’s facilities. Faculty physicians of the Marshall University School of Medicine and other providers, who also serve as employees of the Corporation, receive a portion of their total compensation through the Corporation and they also provide both direct and indirect financial support to the Marshall University School of Medicine and its education, research, and service missions through funding provided by the Corporation.

**UNIVERSITY PHYSICIANS & SURGEONS, INC.
(MARSHALL UNIVERSITY MEDICAL CORPORATION)**

ANALYSIS OF FINANCIAL STATEMENTS

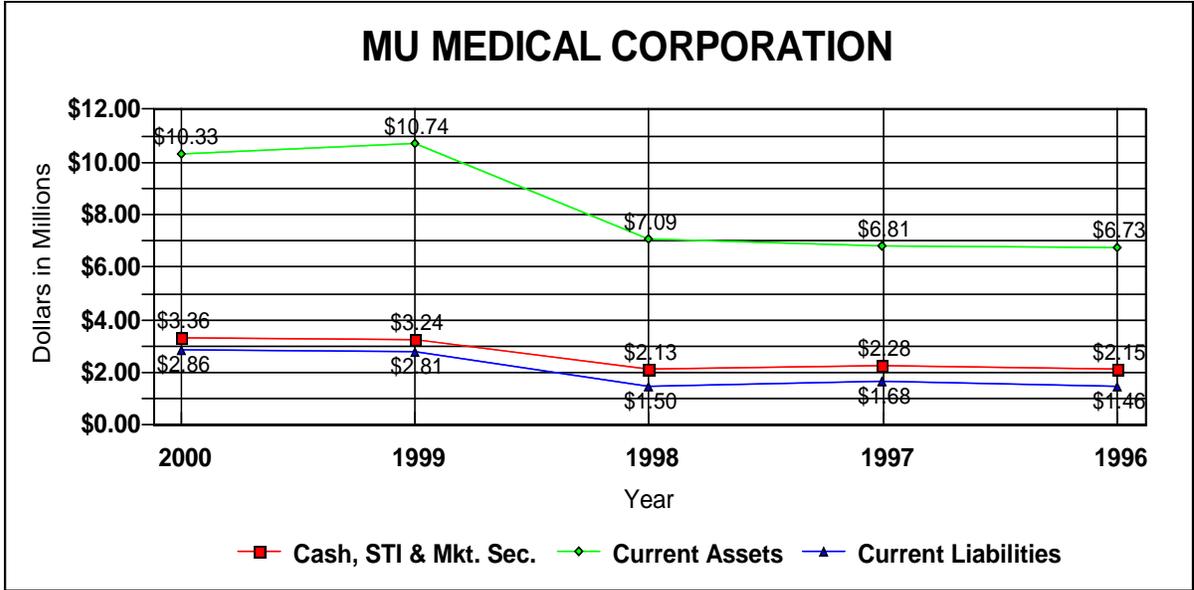
GENERAL REMARKS

INTRODUCTION

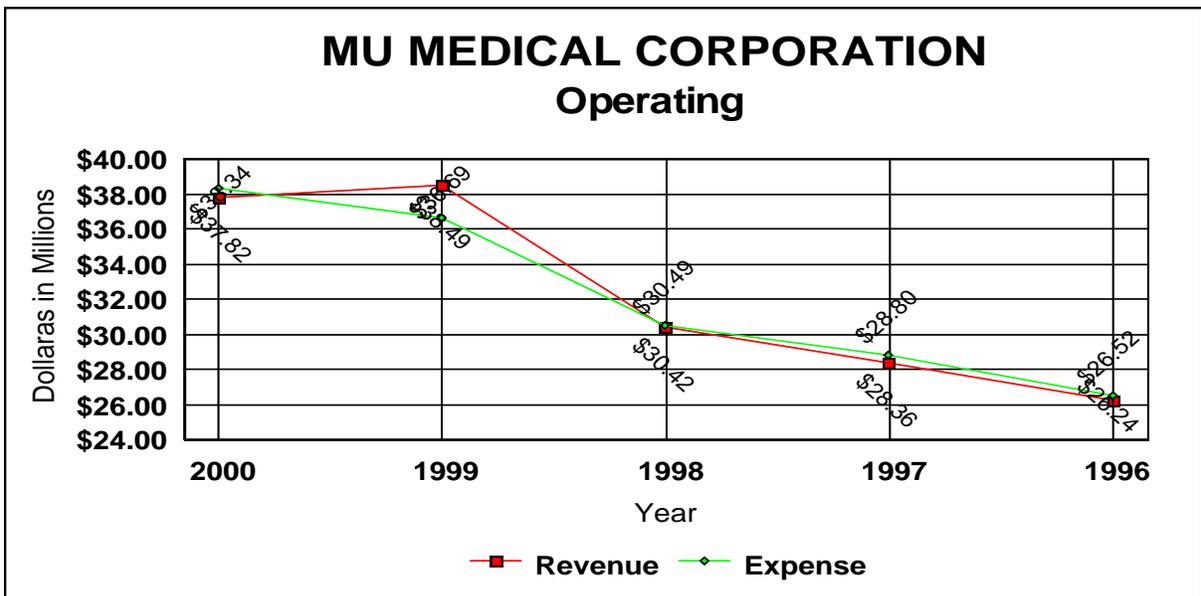
We have completed a review of the financial statements and various other financial information for University Physicians & Surgeons, Inc. (Marshall University Medical Corporation) for the period July 1, 1995 through June 30, 2000. We have calculated key financial ratios and presented them as graphic presentations.

Analysis of Financial Data

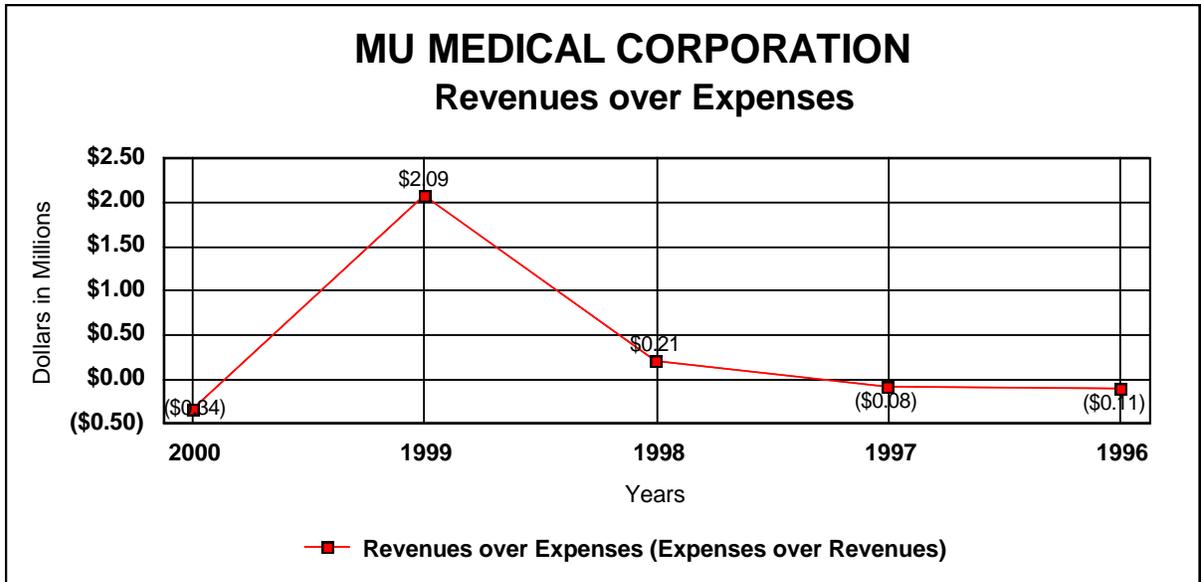
We first determined for each fiscal year, a total amount for cash, cash equivalents, short term investments and marketable securities. We then determined total current assets and total current liabilities for the same fiscal years and plotted the amounts on the following graph to illustrate the relationships of the aforementioned amounts each year and any trend that may exist. Cash, STI & Mkt. Sec. on the graph represents cash, short term investments and marketable securities which can be converted to cash in a short time frame (approximately 90 days). Current assets are generally those convertible to cash within 12 months and current liabilities are those which generally are payable within 12 months. As can be seen on the graph, the ratio of (cash, short term investments and marketable securities) to current liabilities is approximately 1.2 to 1 and the ratio of current assets to current liabilities is approximately 3.3 to 1 over the five year period.. These ratios indicate that the total cash, short term investments and marketable securities would be more than enough to pay all short term liabilities and the current assets are approximately three times more than current liabilities.



We also determined the operating income and operating expenses for each of the fiscal years we reviewed. Those amounts are plotted on the graph shown below and illustrate the relationship of those amounts and any existing trend. As can be seen on the graph, the operating expenses and revenues are very close each year with a significant increase in revenue in 1999. The increase is the result of restating revenue in 1999 to reflect unbilled receivables on June 30, 1999 and June 30, 1998.



Finally we determined from the financial statements provided to us the amount of revenues over expenses or (expenses over revenues) for each fiscal year and that information is shown on the graph below. The spike on the graph in 1999 is the result of restating 1999 revenue to reflect unbilled patient receivables as of June 30, 1998 and June 30, 1999.



BRIM Premiums For Malpractice Insurance

For the five year period for which we analyzed financial statements and other financial data, the Medical Corporation at Marshall University did not pay any portion of the BRIM Premiums for any University Physicians who are also full-time, tenured, teaching faculty at the Marshall University School of Medicine which means that only State General Revenue Fund appropriations are being used by Marshall to pay Medical Malpractice Premiums billed by BRIM. To the extent that General Revenue Fund appropriations are not large enough to cover the BRIM billing, Marshall has an outstanding balance due BRIM.

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, CPA, Director of the Legislative Post Audit Division, do hereby certify that the report appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 20th day of August, 2001.



**Thedford L. Shanklin, CPA, Director
Legislative Post Audit Division**

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to Governor; Attorney General; and, the State Auditor.