



## **FY2022 Operating and Capital Budget**

### **Hospital Board Meeting**

*Dan Woods, Chief Executive Officer*

*Carlos Bohorquez, Chief Financial Officer*

*Jim Griffith, Chief Operating Officer*

*May 24, 2021*

# Agenda

The purpose of this presentation is to provide the Board an overview of the key assumptions and final FY2022 budget

1. Introduction: Alignment to Vision, Guiding Principles, and Covid Impact
2. Key Operating Budget Assumptions - Hospital
3. FY2022 Budget Income Statements - Consolidated Enterprise
4. Proposed Motion



# 1. Introduction

# Guiding Principals of our FY2022 Budget Process

1. Develop a financial path to full recovery from the Covid-19 pandemic
2. Develop a budget which drives year-over-year revenue growth and margin improvement
3. Fund the critical needs of the organizations to ensure we're meeting the needs of our community and promoting clinical excellence
4. Ensure the process is inclusive / transparent to all leaders within the organization
5. Ensure volume, revenue, expense and capital assumptions are realistic and creditable
6. Closely align the budget with market dynamics and industry trends
7. Ensure joint ownership of critical assumptions by senior management
8. Communicate final budget results (assumptions) with all leaders to establish expectations for FY2022
9. Develop a process to identify variances to budget and causes
10. Communicate with all leaders actual results vs. budget

## 2. FY2022 Budget: Key Operating Assumptions Hospital

# FY2022 Budget Assumptions: Volume, Revenue and Expense

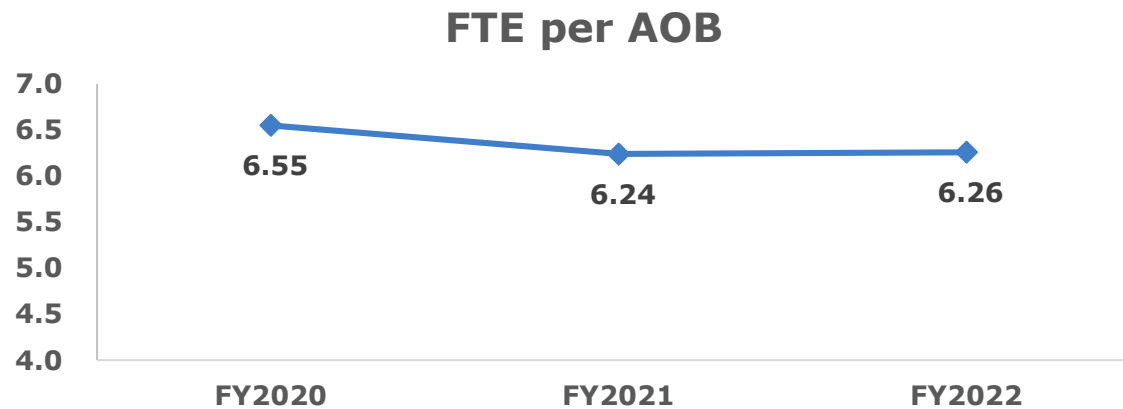
Category	Item Description	Assumptions
<b>Volume</b>	Inpatient discharges	8.0% increase over annualized FY2021
	Outpatient encounters	3.7% increase (including lab 15.3% decrease) over annualized FY2021
<b>Revenue</b>	Reimbursement increase FY2022: Charge master increase: 6.5%	Contractual increase is mix of Commercial and Government payers: Overall 2.6%
<b>Expenses</b>	Wages and benefits	Blended 3.5% increase
	Pharmaceuticals	4.2% increase
	All other supplies	2.5% increase
	All other expenses	2.5% increase
<b>Investments</b>	Investment Income	4.0% return
<b>Observation ALOS</b>	Reduce Medicare loss by reducing ALOS	Reduce Observation ALOS by 4 hours

# FY2022 Budget: Labor Analysis

## Labor Analysis | FTEs

FY2022 Budgeted FTE Roll Forward	FTEs
FY2021 Paid FTEs (as of 3/31/2021)	2,818
Mid Year Additions	22
Volume Changes	98
Approved FY2022 FTE additions	27
Operational Efficiencies	(9)
<b>FY2022 Paid FTE's</b>	<b>2,956</b>

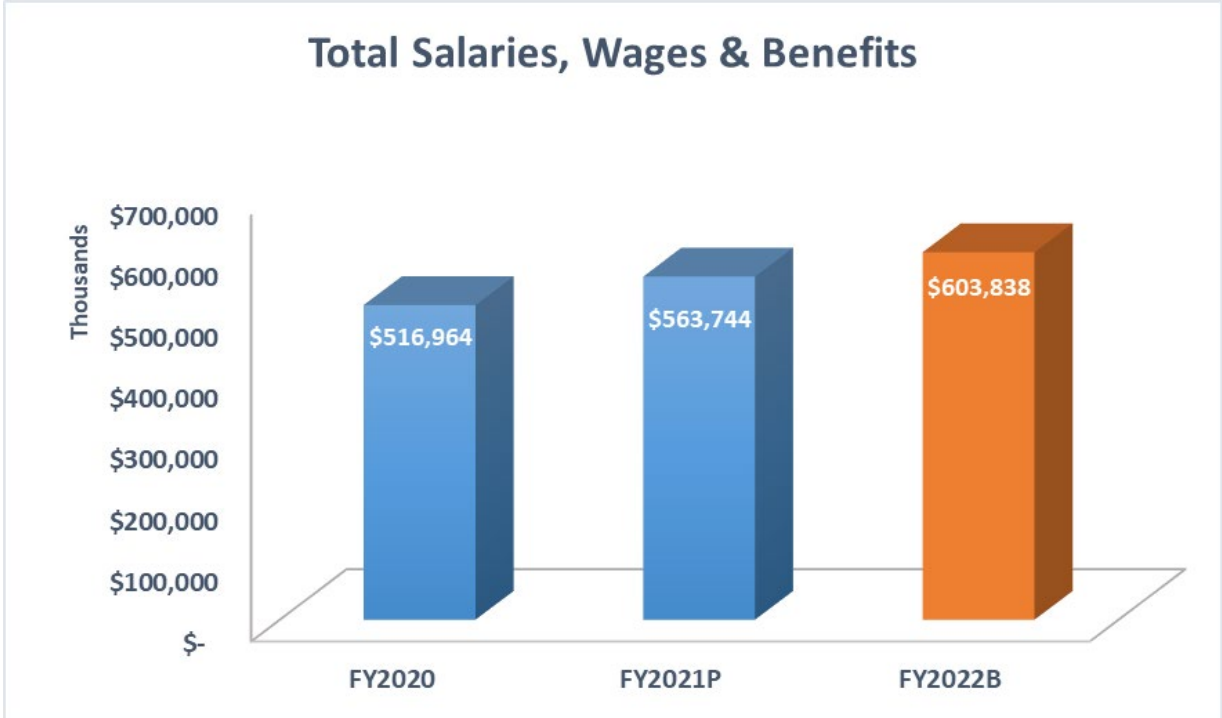
FTEs per AOB



# FY2022 Budget: Labor Analysis

## Labor Analysis | Salaries, Wages & Benefits

- FY2022 total Salaries, Wages, Contract Labor, and Benefits are increasing by \$40.1M, or 7.1%
- Salary and benefit increases are offset by significant declines in agency / registry, as well as improvements in premium pay expense over current year

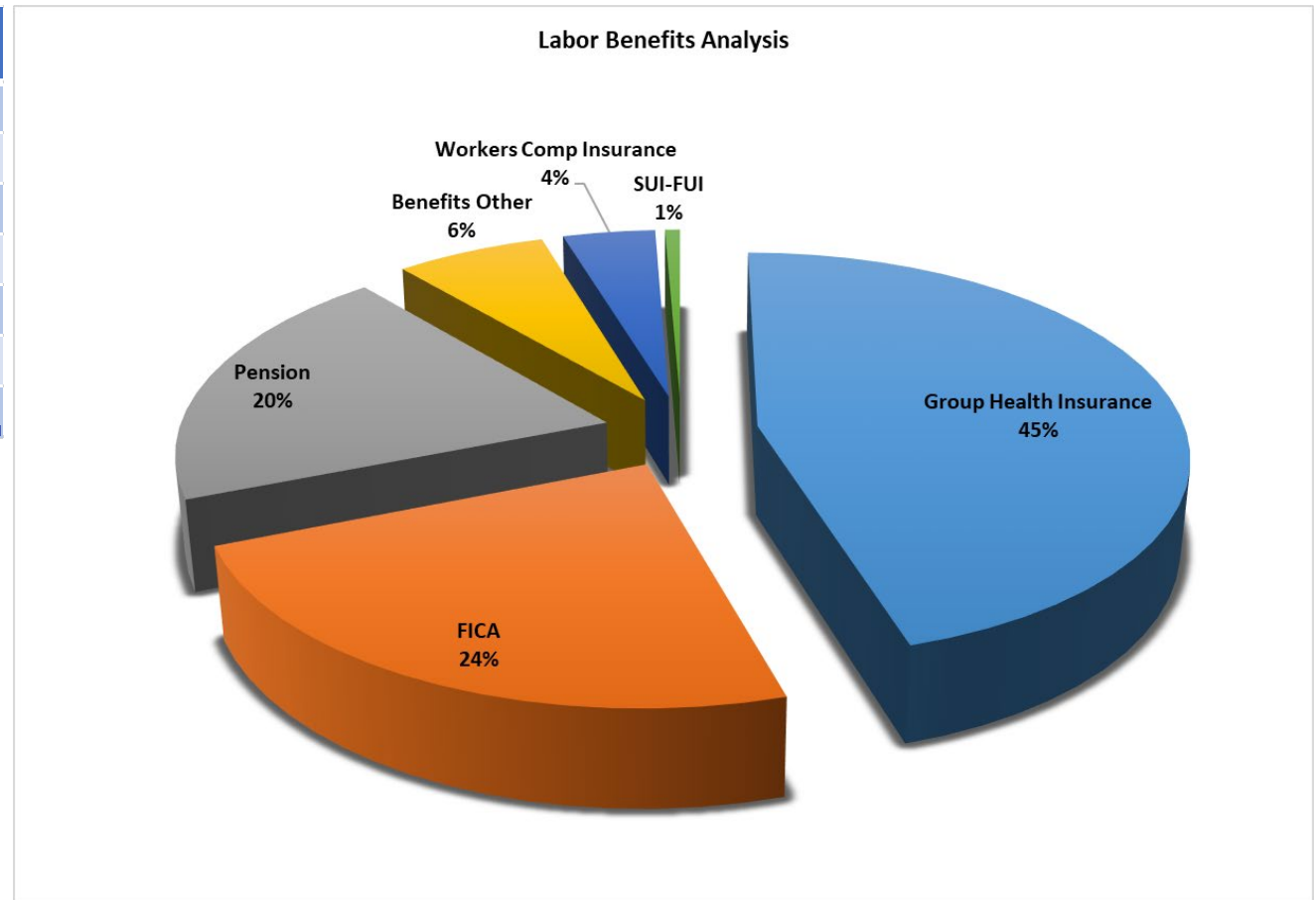




# FY2022 Budget: Labor Analysis – Benefits Excl. PTO

## Labor Analysis | Benefits (excl. PTO)

Type of Benefit	% of Total Benefit
Group Health Insurance	45.4%
FICA	23.6%
Pension	19.8%
Benefits Other	6.5%
Workers Comp Insurance	4.0%
SUI-FUI	0.7%
Total Benefit Spend (\$000's)	\$129,708

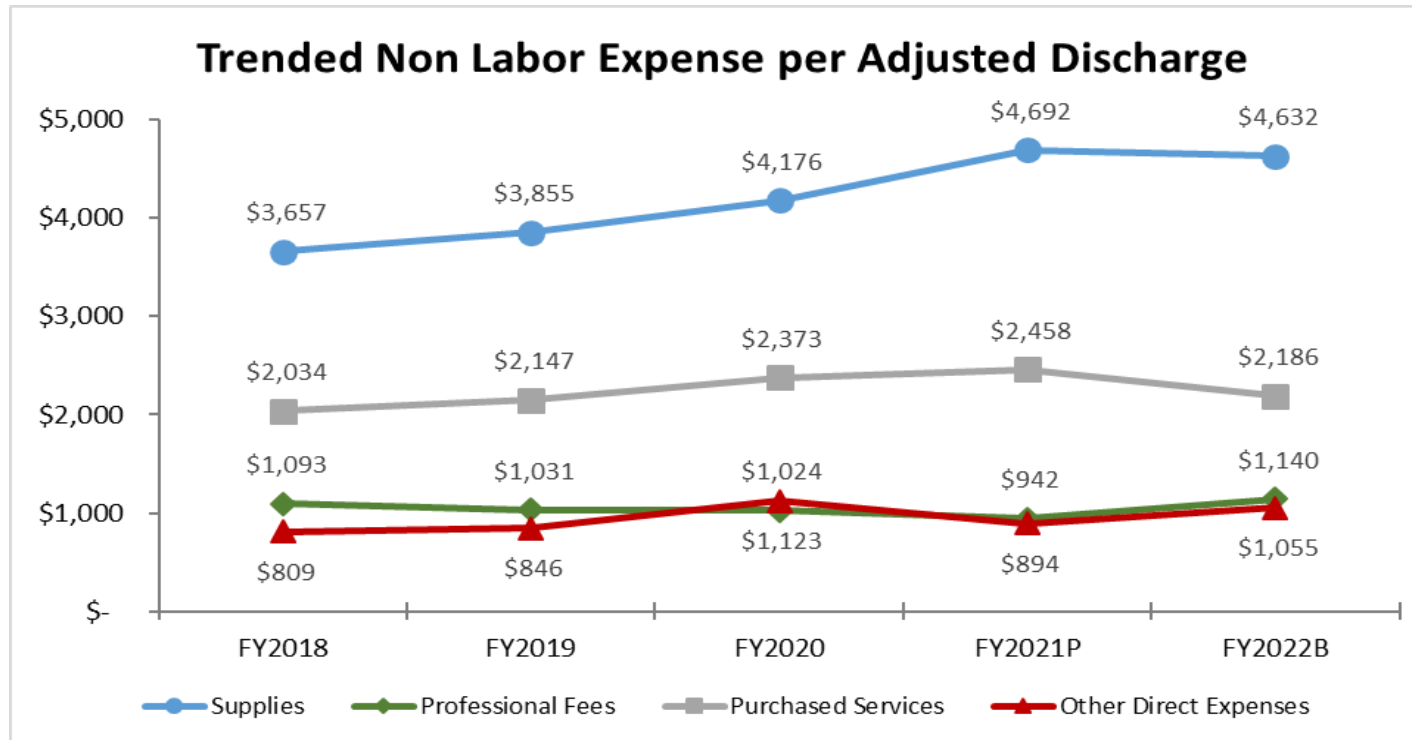


### Significant Impacts

- Group Health Insurance premiums have increased by 7%, which is offset by savings from benefit management initiatives
- FICA, Pension, and Worker's Compensation are all increasing in proportion with salaries

# Non Labor Analysis | Summary

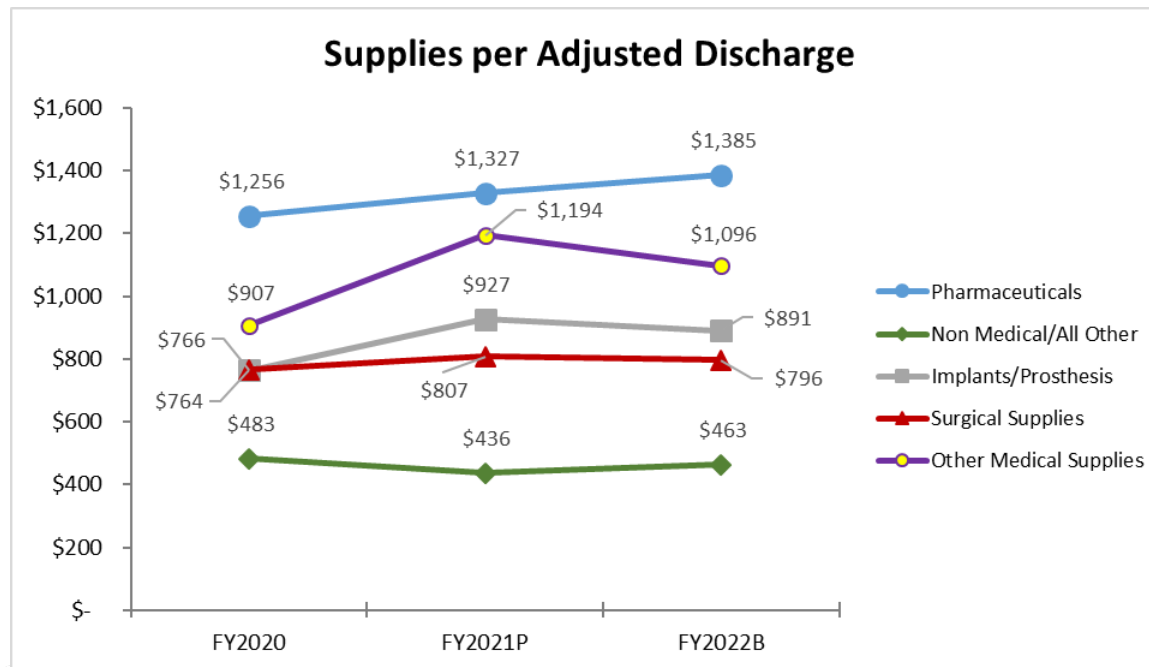
- FY2022 Non Labor expense is increasing \$21.8M, or 5.5%
- Non labor expense is decreasing by (1.1%) on a per adjusted discharge basis, primarily driven a normalization of Supply costs due to COVID in FY21



# Non Labor Analysis | Supplies

FY2022 Supply Roll Forward	Expense (\$000's)
FY2021 Supply Expense (as of 3/31/2021)	164,115
Increase due to Volume and Utilization	3,393
Inflationary Increases	5,396
<b>FY2022 Budgeted Supply Expense</b>	<b>172,904</b>

- LG Pharm biggest driver in Drug Cost due to new Infusion Center due to full year of operation. MV also has slight increase in Drug Cost primarily due to volume.
- Overall volume at MV is major driver in the 3.4M increase.



# FY2022 Budget: Non-Operating Expenses

## Depreciation and Interest Expense

- Significant increase in depreciation and interest expenses starting in FY2021 are associated with Sobrato and Taube Pavilion coming online





## **3. FY2022 Budget Income Statements - Consolidated Enterprise**

# Enterprise FY2022 Budget

	Hospitals	ECHMN	Concern	Foundation	Enterprise Total
<b>Net Revenue</b>	1,136,745,478	45,449,449	9,599,175	-	1,191,794,102
<b>Operating Expense</b>	1,021,135,474	78,438,145	9,135,189	3,393,225	1,112,102,033
<b>Operating Margin</b>	115,610,004	(32,988,696)	463,986	(3,393,225)	79,692,069
<i>Operating Margin (%)</i>	10.2%	-72.6%	4.8%		6.7%
<b>Operating EBIDA</b>	196,466,717	(30,144,722)	644,858	(3,391,784)	163,575,070
<i>Operating EBIDA (%)</i>	17.3%	-66.3%	6.7%		13.7%

## Change in Operating Margin from FY2021 to FY2022

**FY2021 Operating Margin \$63.2M**

- Hospital \$14.1M Primarily Volume growth
- ECHMN \$ 3.5M Operational Improvements
- Foundation \$(1.3M) Normalization of fund raising activities
- Other \$ 0.2M

**FY2022 Budget Operating Margin \$79.7M**



## 4. Proposed Motion

## Proposed Motion

- To approve and adopt the Fiscal Year 2022 operating and capital budget as recommended by management