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# Erie County Medical Center Corporation Operating and Capital Budgets

2015





# Key Financial Ratios

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Projected</u> <u>2014</u>	<u>Budget</u> <u>2015</u>
Operating Margin %	1.0%	0.3%	0.3%	0.2%	0.0%	1.0%
Moody's Median	2.5%	2.6%	2.5%	2.0%	2.0%	2.0%
Operating EBITDA %	5.1%	4.9%	5.5%	6.3%	6.4%	7.4%
Moody's Median	9.3%	9.3%	9.5%	9.0%	9.0%	9.0%
FTE's	2,858	2,751	2,733	2,823	2,892	2,865
Days Cash On Hand	188.8	187.0	134.9	103.6	80.9	87.4
Moody's Median	162.8	172.4	187.8	197.6	197.6	197.6
Debt Covenant	57	57	57	57	57	57
Debt Service Coverage	3.1	2.3	2.0	1.9	1.6	1.9
Moody's Median	4.1	4.2	4.3	4.2	4.2	4.2
Debt Covenant	1.1	1.1	1.1	1.1	1.1	1.1
Debt to Total Capitalization	52.4%	68.7%	65.9%	63.2%	59.2%	56.5%
Moody's Median	39.6%	39.4%	39.0%	35.4%	35.4%	35.4%
Net Patient Revenue / CMAED	6,122	6,362	6,471	6,674	6,516	6,525
Salaries and Wages / CMAED	4,187	4,676	4,496	4,901	4,211	4,105
Supplies / CMAED	1,053	1,094	1,131	1,162	1,023	1,005
Salaries and Wages % of Revenue	56.5%	58.3%	56.2%	57.8%	55.7%	55.1%
Supply Expense % of Revenue	14.2%	13.6%	14.1%	13.7%	13.5%	13.5%
Benefit % of Salaries and Wages	56.9%	63.2%	63.5%	57.2%	56.9%	56.7%
Days In Accounts Receivable, net	43.9	41.8	41.9	47.4	44.6	44.2
Moody's Median	44.5	45.1	50.1	49.8	49.8	49.8



## Statement of Revenues and Expenses (Thousands)

	<u>2013 Audited</u>		<u>2014 Projected Actual</u>		<u>2015 Budget</u>		<u>Increase (Decrease)</u>	
	<u>Actual</u>	<u>%</u>	<u>Projected</u>	<u>%</u>	<u>Budget</u>	<u>%</u>		<u>%</u>
Net Patient Revenue	392,068	106.4%	429,235	106.4%	434,951	105.2%	5,716	1.3%
Provision for Uncollectable Accounts	<u>(23,711)</u>	<u>-6.4%</u>	<u>(25,827)</u>	<u>-6.4%</u>	<u>(21,469)</u>	<u>-5.2%</u>	<u>4,358</u>	<u>-16.9%</u>
Adjusted Net Patient Revenue	368,357	100.0%	403,408	100.0%	413,482	100.0%	10,074	2.5%
Disproportionate Share / IGT and UPL Payments	61,786	16.8%	76,060	18.9%	64,894	15.7%	(11,166)	-14.7%
Other Operating Revenues	<u>37,800</u>	<u>10.3%</u>	<u>33,836</u>	<u>8.4%</u>	<u>38,365</u>	<u>9.3%</u>	<u>4,529</u>	<u>13.4%</u>
Total Operating Revenues	<u>467,943</u>	<u>127.0%</u>	<u>513,304</u>	<u>127.2%</u>	<u>516,741</u>	<u>125.0%</u>	<u>3,437</u>	<u>0.7%</u>
Operating Expenses								
Salaries and Wages	172,109	46.7%	182,231	45.2%	181,755	44.0%	(476)	-0.3%
Employee Benefits	98,405	26.7%	103,761	25.7%	102,980	24.9%	(781)	-0.8%
Physician & Resident Fees	54,008	14.7%	61,568	15.3%	62,730	15.2%	1,162	1.9%
Purchased Services	35,835	9.7%	39,048	9.7%	37,173	9.0%	(1,875)	-4.8%
Supplies	64,160	17.4%	69,511	17.2%	69,752	16.9%	241	0.3%
Other Expenses	13,971	3.8%	24,451	6.1%	24,108	5.8%	(343)	-1.4%
Depreciation	20,219	5.5%	24,397	6.0%	25,195	6.1%	798	3.3%
Interest	<u>8,337</u>	<u>2.3%</u>	<u>8,334</u>	<u>2.1%</u>	<u>7,898</u>	<u>1.9%</u>	<u>(436)</u>	<u>-5.2%</u>
Total Operating Expenses	<u>467,044</u>	<u>126.8%</u>	<u>513,301</u>	<u>127.2%</u>	<u>511,591</u>	<u>123.7%</u>	<u>(1,710)</u>	<u>-6.9%</u>
Income from Operations	899	0.2%	3	0.0%	5,150	1.2%	5,147	171566.7%
Non Operating Revenues	<u>8,229</u>	<u>2.2%</u>	<u>4,569</u>	<u>1.1%</u>	<u>4,000</u>	<u>1.0%</u>	<u>(569)</u>	<u>-12.5%</u>
Excess of Revenues Over Expenses	<u>9,128</u>	<u>2.5%</u>	<u>4,572</u>	<u>1.1%</u>	<u>9,150</u>	<u>2.2%</u>	<u>4,578</u>	<u>100.1%</u>



## Balance Sheets (Thousands)

	Audited <u>2013</u>	Projected <u>2014</u>	Budget <u>2015</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	10,629	11,443	7,879
Patient Accounts Receivable	47,815	49,255	50,032
Other Current Assets	<u>60,597</u>	<u>63,602</u>	<u>63,797</u>
Total Current Assets	<u>119,041</u>	<u>124,300</u>	<u>136,828</u>
<b>Assets Whose Use Is Limited</b>			
Property and Equipment	141,220	132,391	132,391
Other Assets	<u>9,109</u>	<u>15,282</u>	<u>30,402</u>
<b>Total Assets</b>	<u><u>558,594</u></u>	<u><u>559,484</u></u>	<u><u>566,817</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts Payable and Accrued Expenses	57,048	46,688	48,000
Estimated Third Party Payer Settlements	22,133	22,611	24,809
Current Portion of Long Term Debt	<u>7,226</u>	<u>7,527</u>	<u>7,861</u>
Total Current Liabilities	<u>86,407</u>	<u>76,826</u>	<u>80,670</u>
Long Term Debt	173,129	165,602	157,741
Self Insurance Reserves	161,009	165,791	169,107
Other Liabilities	<u>22,041</u>	<u>31,801</u>	<u>31,801</u>
<b>Total Liabilities</b>	<u>442,586</u>	<u>440,020</u>	<u>439,319</u>
<b>Net Assets</b>			
Unrestricted	104,959	108,415	116,449
Restricted	<u>11,049</u>	<u>11,049</u>	<u>11,049</u>
Total Net Assets	<u>116,008</u>	<u>119,464</u>	<u>127,498</u>
<b>Total Liabilities and Net Assets</b>	<u><u>558,594</u></u>	<u><u>559,484</u></u>	<u><u>566,817</u></u>





# Operating Performance Reconciliation

## (Thousands)

	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Income</u>
Projected 2014 Operating Income	513,304	513,300	4
Various Revenue Prior Period Adjustments Posted in 2014	(1,295)		(1,295)
Payor Rate Increases/Decreases, Net of Bad Debt	4,688		4,688
Volume Changes, Net	3,367	1,219	2,148
Revenue Cycle Improvements	2,931		2,931
Prior Period IGT/UPL Adjustments	(18,292)		(18,292)
Increase in Projected IGT/UPL Revenues	7,125		7,125
Incremental Professional Fees Revenue	2,718		2,718
DSRIP Grant Revenue	1,900		1,900
2% Productivity Improvement		(2,700)	2,700
Reduction in Overtime		(1,196)	1,196
Wage Increases and Other Salary Changes		2,716	(2,716)
Benefits Changes, Net		(780)	780
Physician Fees for New Services & on-call coverage		1,366	(1,366)
Contractual Fees Reduction - Bridge Project		(1,500)	1,500
Supply Chain Initiatives		(2,552)	2,552
Increased Pharmacy Costs due to Inflation		1,303	(1,303)
All Other, Net	<u>295</u>	<u>415</u>	<u>(120)</u>
Budgeted 2015 Operating Income	<u>516,741</u>	<u>511,591</u>	<u>5,150</u>



# Key Initiatives and Impact

## (Thousands)

	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Income</u>
DSRIP - Grant Revenue	1,900	-	1,900
DSRIP - Reduced Patient Revenue	(1,900)		(1,900)
IAAF	4,000	4,000	-
Acute Care Revenue Cycle Improvement	2,665	-	2,665
Physician Practice Revenue Cycle Improvement	266	-	266
Productivity Improvement	2,700	450	2,250
Overtime Management	-	1,196	(1,196)
Supply Chain	-	(2,552)	2,552
Totals	<u><u>9,631</u></u>	<u><u>3,094</u></u>	<u><u>6,537</u></u>



# Acute Care Volume Reconciliation

	<u>Admissions</u>	<u>Patient Days</u>	<u>Outpatient Visits</u>	<u>ED</u>	<u>CPEP</u>	<u>Surgical Cases</u>
Projected 2014	17,408	141,946	335,130	53,570	12,352	13,416
DSRIP Decreases	(97)	(949)		(2,432)	(47)	
Other Increase/(Decrease):						
- Bariatric Program Growth	67		2,840			67
- Orthopedic Program Growth	50		528			176
- Reduction Behavioral Health in LOS	280	(1,310)				
- Reduction Acute in LOS		(3,775)				
- New Behavioral Health Service on 4 zone 3	254	2,752				
- Additional CPEP Activity					648	
- Chemical Dependency Growth	11	200	1,421			
- Dental Oral Oncology Growth			1,242			
- Primary Health Clinic Growth			965			
- Breast Health, Dermatology, Infusion(new), Environmental Health Clinics			1,311			
- New - Interventional Radiology Procedures			60			
<b>Budget 2015</b>	<b>17,973</b>	<b>138,864</b>	<b>343,497</b>	<b>51,138</b>	<b>12,953</b>	<b>13,659</b>



# Revenue and Reimbursement Reconciliation

Projected 2014 Net Patient Service Revenue	403,408
Prior Period Adjustments Posted in 2014	(1,295)
Payor Rate Increases/Decreases, Net of Bad Debt	6,695
Volume Changes, Net	2,850
CMI Impact due to DRG Weights	(1,587)
ECMC Impact of Medicare DSH/Pool Reduction	(420)
Terrace View - Mix Change Impact (Increase Subacute Volume)	517
Hospital Revenue Cycle Improvement Impact	2,665
All Other, Net	<u>650</u>
Budgeted 2015 Net Patient Service Revenue	<u><u>413,483</u></u>





# Other Revenues

	2013 <u>Actual</u>	2014 <u>Projected</u>	2015 <u>Budget</u>
Professional Fees Revenue	12,737	16,333	19,317
Rent Revenue	807	874	1,110
Grant Revenue	2,027	2,811	2,669
IAAF Grant Award	-	4,000	4,000
DSRIP Grant Revenue	-	-	1,900
I.T. Meaningful Use Incentive Award	1,625	1,371	350
Parking Revenues	260	285	290
Local Payer Quality Incentive Payments	859	621	1,000
Other	6,214	7,541	7,729
	<u>24,529</u>	<u>33,836</u>	<u>38,365</u>



# Salaries, Wages and FTE's

- Decrease of \$476,000 or 0.3%
- Assumptions
  - 2% wage increase for MC
  - Wage/step increases per agreements with; NYSNA, AFSCME and CSEA
  - Phase in of a 2% productivity improvement beginning in second quarter
  - Overtime reduction from 4.5% of hours to 3.7% of hours

	<u>&amp; Wages</u>	<u>FTEs</u>
Projected 2014	182,231	2892
projected contractual labor for 2014	(3,547)	-
2015 budgeted contract labor	2,314	-
Net (decrease) due to a shift from contract labor	(43)	24
Wage Increases, volume and other changes	2,716	13
Other increase and decrease details		
2% Productivity improvement	(2,700)	(40)
Overtime reduction	(1,196)	(23)
Capitalization of internal construction projects	(423)	(9)
Physician fess shift to salaries	1,170	8
Budgeted 2015	<u>181,755</u>	<u>2,866</u>





# Contingency Plans

- Service line evaluation and selective curtailment of services with negative operating margins
- Selective coordination of support services functioning across Great Lakes Health
- Sequestration of 75% of capital budget for 1<sup>st</sup> 2 quarters
- More rapid implementation of productivity and supply chain initiatives



# Emerging Issues and Accounting Pronouncements

- DSRIP
- ACA/Insurance Exchange Member Selection
- Managed Care Requirement for LTC
- ICD-10 Implementation (10/1/15)
- GASB 68 – Pension
- GASB Exposure Draft – OPEB
- ASC 605& ASU-2014-09 – Revenue Recognition
- ASC 842 – Leases Exposure Draft – Accounting for Leases





# Capital Budget Summary

- \$20 million spend, including carryover
- Physician and executive leadership prioritization process underway
- Contingency fund allocation of total spend

