

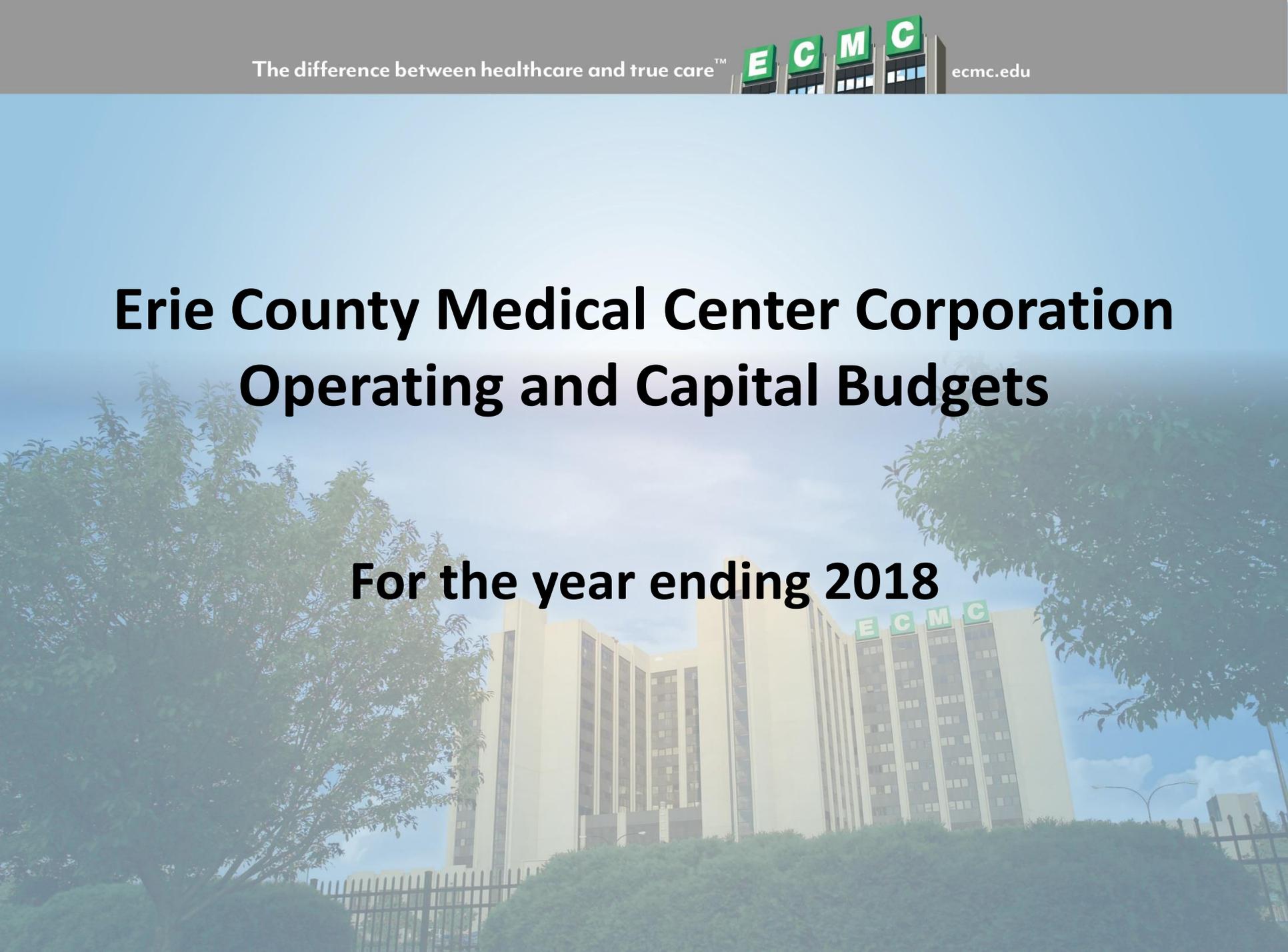
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# **Erie County Medical Center Corporation Operating and Capital Budgets**

## **For the year ending 2018**





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# Management Discussion and Analysis

September 30, 2018

The 2018 Operating and Capital Budgets (the “Budget”), together with five year financial projections, presented in the following pages were developed by the Erie County Medical Center Corporation (“ECMCC”). The Budget is consistent with the ECMCC Strategic Plan and reflects investments made, or to be made, over the budget year. Investment returns, of course, are not only measured in financial terms, but also in terms of achieving the ECMCC mission, improving clinical quality, service excellence, and the health of the communities ECMCC serves.

On April 9, 2017 ECMCC was the victim of a cyber attack. The 2017 projections included within the budget include one time expenses, net of estimated insurance recoveries, associated with the event as well as cash flows for investments in replacement systems and any impairment of assets associated with the event.

Budgetary assumptions are a key component of the process that was followed in developing the Budget. The following summarizes Management’s perspective in the development of these assumptions.

# Management Discussion and Analysis

## Budget Goals:

The achievement of an operating margin is a critical factor in generating sufficient cash flows to support the investment of capital in new programs and services. As a result of the institution's mission to serve those unable to pay and, expense inflation greater than reimbursement rate growth ECMCC has budgeted an operating margin of 0.3%. This level of performance is relatively consistent with recent historical operating margin performance, will allow ECMC to meet its obligations, and continue to invest in new capital.

## Activity Levels:

The Budget has been prepared on a consistent basis with current and prior year actual results. Further consideration was given to clinical program investments, historical trends, the changes in evidence based medicine supporting clinical practice utilization rates, the goals of the NYS Medicaid Redesign effort, including the Delivery System Reform Incentive Payment program (DSRIP), changing regulations and payer payment policies, and other factors. Management believes that the levels of activity contained within the Budget are attainable.

# Management Discussion and Analysis

## Revenue and Reimbursement:

Gross revenue price increases have not been factored into the budget as a result of analysis indicating that such increases are not supported by market factors. With increasing consumer responsibility for healthcare costs such price increases may hinder access to ECMC and volume growth. Most insurers do not pay based on gross fees established, however in many cases co-insurance and deductible amounts are based on gross fees, and management has determined the impact of a lack of price increase on revenues is out weighed by the potential growth and the overall results of operations of ECMCC. Reimbursement from government payers has been incorporated based on current regulations and, where Management has evaluated as probable, proposed regulations. Reimbursement from commercial payers has been incorporated into the Budget based on current contracts, or at rates that Management has evaluated as probable for contracts currently being negotiated. Increases in net revenue associated with revenue cycle improvement initiatives have also been incorporated at levels that Management believes are attainable. Other Operating Revenue has been budgeted based on historical experience. Disproportionate Share and UPL payments have been budgeted based on the most current information available to Management at the time the Budget has been prepared.

# Management Discussion and Analysis

## Operating Expenses:

Operating expenses have been budgeted based on the volume of anticipated activity and adjusted for salary rate increases consistent with collective bargaining agreements, estimated benefit cost increases, supply and other expense inflation rates as well as impacts of critical performance improvement initiatives. Management believes that the expenses contained in the Budget are reasonable and attainable.

## Non-Operating Revenue:

Non-Operating Revenues have been budgeted based on interest and dividend income only and do not consider realized or unrealized investment gains or losses associated with market movements.

# Management Discussion and Analysis

## Cash Flows:

Cash Flows have been budgeted based on the results of operations, investments in capital assets, required principal payments on Long-Term debt, funding of employee benefits plans and a stable net working capital position. The cash flows associated with the financing which was completed on September 14, 2017 have been incorporated within these projections.

## Range of Outcomes and Contingency Plans:

Management has considered the sensitivity of each material assumption within the Budget. Management believes that the Budget is reasonably positioned within the range of potential outcomes and recognizes its responsibility for achieving these results.

# Regulatory Budget Reporting Requirements

- All requirements have been met
  - NYCRR, Part 203, Chapter V, Title 2
  - This package communicates each of the 18 requirements
- New York State Office Of The State Comptroller
- Authority Budget Office
- PARIS submission and certification

# Budget Process

- Executive leadership (ELT) adopt budget schedule and goals
- Using 2017 data a baseline budget and financial projections were prepared
- ELT meetings with department managers to align goals with operational performance
- ELT meetings to challenge baseline budgets and make decisions to achieve goals
- ELT budget recommendation reviewed and approved by Finance Committee of ECMCC Board
- Budget recommendation reviewed and approved by ECMCC Board



# Key Financial Ratios

	<u>2015</u>	<u>2016</u>	<u>Projected</u> <u>2017</u>	<u>Budget</u> <u>2018</u>
Operating Margin %	0.2%	0.3%	0.4%	0.3%
NYS PBC Average %	-5.8%	-3.8%	-3.8%	-3.8%
Operating EBITDA %	6.7%	6.3%	6.4%	6.0%
NYS PBC Average %	0.9%	2.2%	2.2%	2.2%
FTE's	3,153	3,204	3,246	3,280
FTE's per Adjusted Occupied bed	3.67	3.96	3.95	3.96
Days Cash On Hand	71.9	66.7	105.6	126.4
Debt Covenant	57.0	57.0	30.0	30.0
NYS PBC Average	45.4	49.1	49.1	49.1
Debt Service Coverage	2.4	1.9	1.8	2.4
Debt Covenant	1.1	1.1	1.1	1.1
NYS PBC Average	0.8	1.0	1.0	1.0
Debt to Total Capitalization	66.8%	59.5%	68.6%	96.0%
NYS PBC Average %	296.8%	387.9%	387.9%	387.9%
Salaries, Wages & Benefits % of Revenue	63.7%	64.2%	65.6%	64.8%
Supply Expense % of Revenue	15.9%	16.0%	15.1%	15.0%
Benefit % of Salaries and Wages	47.4%	47.7%	49.6%	52.9%
Days In Accounts Receivable, net	52.9	50.2	59.8	50.9



# Statement of Revenues and Expenses

(Thousands)

	2016 Audited		2017 Projected		2018 Budget		Increase (Decrease)	
	\$	%	\$	%	\$	%		%
Net Patient Revenue	499,892	100.0%	524,370	100.0%	533,861	100.0%	9,491	1.8%
Provision for Uncollectable Accounts	<u>(9,961)</u>	<u>-2.0%</u>	<u>(9,868)</u>	<u>-1.9%</u>	<u>(10,110)</u>	<u>-1.9%</u>	<u>(242)</u>	<u>2.5%</u>
Adjusted Net Patient Revenue	489,931	98.0%	514,502	98.1%	523,751	98.1%	9,249	1.8%
Disproportionate Share / IGT and UPL Payments	71,500	14.6%	67,363	13.1%	66,173	12.6%	(1,190)	-1.8%
Other Operating Revenues	<u>55,115</u>	<u>11.2%</u>	<u>53,017</u>	<u>10.3%</u>	<u>53,492</u>	<u>10.2%</u>	<u>475</u>	<u>0.9%</u>
Total Operating Revenues	<u>616,546</u>	<u>125.8%</u>	<u>634,882</u>	<u>123.4%</u>	<u>643,416</u>	<u>122.8%</u>	<u>8,534</u>	<u>1.3%</u>
Operating Expenses								
Salaries and Wages	213,141	43.5%	226,901	44.1%	228,752	43.7%	1,851	0.8%
Employee Benefits	121,660	24.8%	121,015	23.5%	121,055	23.1%	40	0.0%
Physician & Resident Fees	75,692	15.4%	76,292	14.8%	78,493	15.0%	2,201	2.9%
Purchased Services	41,368	8.4%	49,170	9.6%	51,328	9.8%	2,158	4.4%
Supplies	78,363	16.0%	80,464	15.6%	79,481	15.2%	(983)	-1.2%
Other Expenses	47,492	9.7%	42,168	8.2%	45,468	8.7%	3,300	7.8%
Depreciation	28,673	5.9%	28,323	5.5%	29,087	5.6%	764	2.7%
Interest	<u>8,006</u>	<u>1.6%</u>	<u>8,156</u>	<u>1.6%</u>	<u>7,752</u>	<u>1.5%</u>	<u>(404)</u>	<u>-5.0%</u>
Total Operating Expenses	<u>614,395</u>	<u>125.4%</u>	<u>632,489</u>	<u>122.9%</u>	<u>641,416</u>	<u>122.5%</u>	<u>8,927</u>	<u>1.4%</u>
Operating Income	2,151	0.4%	2,393	0.5%	2,000	0.4%	(393)	-16.4%
Non Operating Revenues	<u>(182)</u>	<u>0.0%</u>	<u>1,415</u>	<u>0.3%</u>	<u>3,123</u>	<u>0.6%</u>	<u>1,708</u>	<u>120.7%</u>
Excess of Revenues Over Expenses	<u>1,969</u>	<u>0.4%</u>	<u>3,808</u>	<u>0.7%</u>	<u>5,123</u>	<u>1.0%</u>	<u>1,315</u>	<u>34.5%</u>



# Balance Sheets

## (Thousands)

	<u>2016 Audited</u>		<u>2017 Projection</u>		<u>2018 Budget</u>		<u>Increase (Decrease)</u>	
	\$	%	\$	%	\$	%		%
<b>Assets</b>								
<b>Current Assets</b>								
Cash and Investments	35,203	4.9%	109,703	13.7%	145,528	18.2%	35,825	32.7%
Patient Accounts Receivable, Net	67,374	9.4%	84,344	10.5%	73,042	9.1%	(11,302)	-13.4%
Other Current Assets	<u>84,992</u>	<u>11.9%</u>	<u>48,193</u>	<u>6.0%</u>	<u>48,446</u>	<u>6.0%</u>	<u>253</u>	<u>0.5%</u>
<b>Total Current Assets</b>	<b><u>187,569</u></b>	<b><u>26.2%</u></b>	<b><u>242,240</u></b>	<b><u>30.3%</u></b>	<b><u>267,016</u></b>	<b><u>33.3%</u></b>	<b><u>24,776</u></b>	<b><u>10.2%</u></b>
<b>Assets Whose Use Is Limited</b>								
Self Insurance Programs	49,548	6.9%	50,000	6.2%	50,500	6.3%	500	1.0%
Construction Fund	-	0.0%	94,144	11.8%	30,085	3.8%	(64,059)	-68.0%
Restricted Under Third Party Agreements	36,894	5.2%	47,981	6.0%	35,595	4.4%	(12,386)	-25.8%
Designated Long Term Investments	<u>19,855</u>	<u>2.8%</u>	<u>18,595</u>	<u>2.3%</u>	<u>18,781</u>	<u>2.3%</u>	<u>186</u>	<u>1.0%</u>
<b>Total Assets Whose Use Is Limited</b>	<b><u>106,297</u></b>	<b><u>14.9%</u></b>	<b><u>210,720</u></b>	<b><u>26.3%</u></b>	<b><u>134,961</u></b>	<b><u>16.8%</u></b>	<b><u>(75,759)</u></b>	<b><u>-36.0%</u></b>
<b>Property and Equipment, Net</b>	<b>259,577</b>	<b>36.3%</b>	<b>253,224</b>	<b>31.6%</b>	<b>308,380</b>	<b>38.5%</b>	<b>55,156</b>	<b>21.8%</b>
<b>Other Assets</b>	<b><u>161,699</u></b>	<b><u>22.6%</u></b>	<b><u>94,408</u></b>	<b><u>11.8%</u></b>	<b><u>90,709</u></b>	<b><u>11.3%</u></b>	<b><u>(3,699)</u></b>	<b><u>-3.9%</u></b>
<b>Total Assets</b>	<b><u>715,142</u></b>	<b><u>100.0%</u></b>	<b><u>800,592</u></b>	<b><u>100.0%</u></b>	<b><u>801,066</u></b>	<b><u>100.0%</u></b>	<b><u>474</u></b>	<b><u>0.1%</u></b>
<b>Liabilities and Net Assets</b>								
<b>Current Liabilities</b>								
Current Portion of Long Term Debt	18,811	2.6%	9,479	1.2%	10,338	1.3%	859	9.1%
Accounts Payable and Accrued Expenses	98,173	13.7%	107,665	13.4%	227,672	28.4%	120,007	111.5%
Liability to Third Party Payers, Net	<u>5,124</u>	<u>0.7%</u>	<u>21,724</u>	<u>2.7%</u>	<u>22,447</u>	<u>2.8%</u>	<u>723</u>	<u>3.3%</u>
<b>Total Current Liabilities</b>	<b><u>122,108</u></b>	<b><u>17.1%</u></b>	<b><u>138,868</u></b>	<b><u>17.3%</u></b>	<b><u>260,457</u></b>	<b><u>32.5%</u></b>	<b><u>121,589</u></b>	<b><u>87.6%</u></b>
<b>Long Term Debt</b>	<b>155,172</b>	<b>21.7%</b>	<b>258,854</b>	<b>32.3%</b>	<b>248,516</b>	<b>31.0%</b>	<b>(10,338)</b>	<b>-4.0%</b>
<b>Self Insurance Liabilities</b>	<u>319,359</u>	<u>44.7%</u>	<u>279,959</u>	<u>35.0%</u>	<u>281,359</u>	<u>35.1%</u>	<u>1,400</u>	<u>0.5%</u>
<b>Total Liabilities</b>	<b><u>596,639</u></b>	<b><u>83.4%</u></b>	<b><u>677,681</u></b>	<b><u>84.6%</u></b>	<b><u>790,332</u></b>	<b><u>98.7%</u></b>	<b><u>112,651</u></b>	<b><u>16.6%</u></b>
<b>Net Position</b>	<b><u>118,503</u></b>	<b><u>16.6%</u></b>	<b><u>122,911</u></b>	<b><u>15.4%</u></b>	<b><u>10,734</u></b>	<b><u>1.3%</u></b>	<b><u>(112,177)</u></b>	<b><u>-23666.0%</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>715,142</u></b>	<b><u>100.0%</u></b>	<b><u>800,592</u></b>	<b><u>100.0%</u></b>	<b><u>801,066</u></b>	<b><u>100.0%</u></b>	<b><u>474</u></b>	<b><u>0.1%</u></b>

# Statement of Cash Flow

## (Thousands)

	Audited <u>2016</u>	Projected <u>2017</u>	Budget <u>2018</u>
<b>Cash Flows From Operating Activities</b>			
Excess of Revenues Over Expenses	1,969	3,808	5,123
Depreciation & Amortization	28,673	28,323	29,087
(Increase) Decrease in Patient Accounts Receivable, Net	461	(16,970)	11,302
(Increase) Decrease in Current and Other Assets	(139,865)	104,090	3,446
Increase (Decrease) in Accounts Payable and Accrued Exp.	87,521	9,492	120,007
Increase (Decrease) in Third Party Payer Settlements	2,347	16,600	723
Increase (Decrease) in Self Insurance Liabilities	<u>17,453</u>	<u>(39,400)</u>	<u>1,400</u>
Net Cash Provided By (Used In) Operating Activities	<u>(1,441)</u>	<u>105,943</u>	<u>171,088</u>
<b>Cash Flows From Investing Activities</b>			
(Increase) Decrease in Assets Whose Use is Limited	19,398	(104,423)	75,759
<b>Cash Flows From Financing Activities</b>			
Additions to Property and Equipment	(8,233)	(21,970)	(84,243)
Proceeds from Financing & Liability Assumption	-	98,945	-
Other Change in Long Term Liabilities	-	8,281	-
Principal Payments on Long Term Debt	(10,691)	(12,876)	(9,479)
Other Changes in Net Position	<u>(4,843)</u>	<u>600</u>	<u>(117,300)</u>
Net Cash (Used In) Financing Activities	<u>(23,767)</u>	<u>72,980</u>	<u>(211,022)</u>
<b>Net Increase (Decrease) in Cash and Investments</b>	(5,810)	74,500	35,825
<b>Cash and Investments, Beginning</b>	<u>41,013</u>	<u>35,203</u>	<u>109,703</u>
<b>Cash and Investments, Ending</b>	<u>35,203</u>	<u>109,703</u>	<u>145,528</u>

# Operating Performance Reconciliation

## (Thousands)

	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Income</u>
Budgeted 2017 Operating Income	621,716	620,716	1,000
Payor Rate Increases/Decreases, Net of Bad Debt	5,600		5,600
Volume Changes, Net	12,000	5,795	6,205
Revenue Cycle Improvements	5,525		5,525
Wage Increases (Including benefits of 850)		7,627	(7,627)
Increase in Information Technology		7,000	(7,000)
Increase in Depreciation Expense		1,000	(1,000)
Decrease in Interest Expense		(4,752)	4,752
All Other, Net	<u>(1,425)</u>	<u>4,030</u>	<u>(5,455)</u>
Budgeted 2018 Operating Income	<u>643,416</u>	<u>641,416</u>	<u>2,000</u>

# Principal Assumptions

- Volume
- Patient Revenue and Reimbursement
- IGT / UPL Payments
- Other Revenues
- Expenses
- Cash Flows



# Volume Assumptions

	2016 <u>Actual</u>	2017 <u>Projection</u>	2018 <u>Budget</u>	<u>Increase (Decrease)</u> <u>17 - 18</u> <u>%</u>	
Discharges					
Acute	12,698	13,624	13,748	124	0.9%
Other	<u>6,141</u>	<u>5,766</u>	<u>6,291</u>	<u>525</u>	<u>9.1%</u>
Total	<u><u>18,839</u></u>	<u><u>19,390</u></u>	<u><u>20,039</u></u>	<u><u>649</u></u>	<u><u>3.3%</u></u>
Average Length of Stay					
Acute	6.1	5.8	5.7	(0.1)	-1.7%
Other	<u>10.5</u>	<u>11.2</u>	<u>11.0</u>	<u>(0.2)</u>	<u>-1.8%</u>
Total	<u><u>7.5</u></u>	<u><u>7.4</u></u>	<u><u>7.3</u></u>	<u><u>(0.1)</u></u>	<u><u>-1.4%</u></u>
Observation	2,370	2,490	2,490	-	0.0%
Outpatient Visits					
Clinics	108,537	110,944	119,324	8,380	7.6%
Behavioral Health	35,606	35,818	35,818	-	0.0%
Chemical Dependency	49,392	49,441	49,676	235	0.5%
Dialysis	27,280	24,757	24,757	-	0.0%
Other	86,392	85,022	85,022	-	0.0%
Surgical Cases					
Inpatient	5,753	6,193	6,317	124	2.0%
Outpatient	<u>6,886</u>	<u>6,321</u>	<u>6,321</u>	<u>-</u>	<u>0.0%</u>
Total	<u><u>12,639</u></u>	<u><u>12,514</u></u>	<u><u>12,638</u></u>	<u><u>124</u></u>	<u><u>1.0%</u></u>
Emergency Visits	57,010	57,475	57,475	-	0.0%
CPEP Visits	12,289	12,433	12,433	-	0.0%
Terrace View ADC	374	378	386	8	2.1%

# Revenue and Reimbursement Assumptions

## Hospital Services

- Medicare
  - Rates based on FFY 2018 final rule
  - Increases in market basket, wage index, DSH/UCC and DRG weights
  - Reductions related to ACA and other
  - Net rate impact of 4.4%
- Medicaid
  - 0.0% increase in operating rates
  - Continued capital payment
- Workers' Comp / No Fault
  - 0.6% increase in operating rates
- Other Payers
  - Per contracts in effect
  - Commercial increase range 1.7% to 4.75%
  - Medicare plans range -2.0% to 1.0%
  - Medicaid plans 0.0%
  - \$987 Thousand value based purchasing incentives

# Revenue and Reimbursement Assumptions

## Terrace View Services

- Medicare
  - Rates based on FFY 2018 final rule
  - 1.9% rate increase
- Medicaid
  - No increase to rates or case mix
- Commercial Payers
  - Per contracts in effect



# IGT and UPL Revenue

	<b>Audited <u>2016</u></b>	<b>Projected <u>2017</u></b>	<b>Budget <u>2018</u></b>
IGT	50,327	54,423	54,423
UPL	21,173	12,940	11,750
<b>Total</b>	<b><u>71,500</u></b>	<b><u>67,363</u></b>	<b><u>66,173</u></b>



# Millennium Collaborative Care

	2017		2018	
	<u>Projected</u>	<u>%</u>	<u>Budget</u>	<u>%</u>
Grant Revenue	24,349	100.0%	30,027	100.0%
Grant Expenses:				
DSRIP participating providers	13,695	56.2%	14,827	49.4%
DSRIP infrastructure	<u>9,409</u>	<u>38.6%</u>	<u>13,927</u>	<u>46.4%</u>
Total Expenses	<u>23,104</u>	<u>94.9%</u>	<u>28,754</u>	<u>95.8%</u>
Net Distribution to ECMCC	<u><u>1,245</u></u>	<u><u>5.1%</u></u>	<u><u>1,273</u></u>	<u><u>4.2%</u></u>

# Salary Expense Reconciliation

Thousands of \$

Budgeted 2017 FTE's / Salaries and Wages	3,259	220,955
Unionized Workforce (2017 = 3,103 Employees)		
Increases In Staffing	22	1,089
Contractual Wage Increases (3.25%)		6,176
2018 = 3,125 Employees (95.3%)		
Non-Unionized Workforce (2017 = 156 employees)		
Decrease in Staffing	(1)	(69)
Wage Increases (2.0%)	-	601
2018 = 155 Employees (4.7%)		
Budget 2018 FTE's / Salaries and Wages	<u>3,280</u>	<u>228,752</u>

# Benefits Expense

## Benefits:

- Net increase of \$13.3 Million or (12.4%)
  - 48.8% of salaries to 52.9% of salaries
- Increases:
  - NYS Pension - \$10.0 Million (Non-Cash)
  - Health insurance – active and retiree's
    - 5% Health/Dental insurance
    - 10% Pharmacy
  - Payroll taxes on increased salaries
- Decreases:
  - Workers' Compensation
- Budgeted decrease in retiree health expense (Contingent on GASB 75 implementation guidance)

# Other Operating Expenses

## Physician & Residents:

- Net increase of \$1.0 Million (1.3%)
  - Increases in contractual obligations
  - Increases in number of physicians offset by enhanced revenue

## Contractual Fees:

- Net increase of \$7.8 Million (17.9%)
  - Reduction in consulting, purchased services and maintenance contracts
  - Increase in Information Technology of \$7.0 Million

## Supplies:

- Net decrease of \$0.4 Million (.5%)
  - Increases consistent with volume
  - Increase in pharmaceuticals, and general inflation
  - Decrease in costs due to GPO contract initiatives

# Cash Flow Assumptions

- Net increase in cash of \$35.8 Million
  - 105.6 days cash to 126.4 days cash
- Accounts receivable decrease of \$11.3 Million
  - 59.8 days to 50.9 days
- Consistent other net working capital accounts
- Routine capital budget spend of \$15.5 Million
- Long term debt repayments per debt agreements

# Budget Assumptions

- Revenue Cycle performance improvements
- IGT / UPL
- Health insurance expense
- GASB 68 valuation
- GASB 75 adoption
- IT investment requirements
- Supply chain savings

# Performance Improvement Opportunities

- High reliability organization focus
- HRIS implementation
- Continued coordination of support services functions across Great Lakes Health
- Structured budget tools and monitoring process with manager accountability
- GPO contractual risk for achievement of supply chain savings

# Emerging Issues and Accounting Pronouncements

- Future of ACA (DSH cuts) and repeal/reform strategies
- Managed care requirement for LTC
- ASC 606 & ASU-2014-09 – revenue recognition
- GASB 82 – Pension issues
- GASB 83 – contingent asset retirement obligations
- GASB 87 – accounting for leases

# Capital Budget Summary

- \$68.5 Million construction projects
  - \$65.0 Million from financing proceeds
  - \$3.5 Million from Equity
- \$15.5 Million routine capital spend

# 5 Year Financial Projections

- Phase in to a 1.0% Operating Margin
- Volume adjusted for construction of Emergency Department
- Reimbursement rate increases
- IGT/UPL increases based on current projections
- Continued trend in benefits % of salary expense reduction
- Supply and other expense inflation consistent with current trend



## Statement of Revenues and Expenses – Projected

(Thousands)

	Audited <u>2016</u>	Projected <u>2017</u>	Budget <u>2018</u>	<u>2019</u>	<u>2020</u>	Projected <u>2021</u>	<u>2022</u>	<u>2023</u>
Net Patient Service Revenue	489,931	514,502	523,751	546,381	556,732	559,537	562,890	566,804
Disproportionate Share, IGT and UPL Revenue	71,500	67,363	66,173	68,158	70,203	72,309	74,478	76,713
Other Operating Revenue	<u>55,115</u>	<u>54,917</u>	<u>53,492</u>	<u>34,680</u>	<u>35,374</u>	<u>36,081</u>	<u>36,803</u>	<u>37,539</u>
Total Operating Revenue	<u>616,546</u>	<u>636,782</u>	<u>643,416</u>	<u>649,219</u>	<u>662,308</u>	<u>667,927</u>	<u>674,171</u>	<u>681,056</u>
Operating Expenses								
Salaries and Benefits	334,801	347,916	349,807	363,247	371,830	377,830	382,040	384,389
Physician Fees and Professional Services	117,060	125,462	129,821	130,609	133,624	136,657	139,709	142,777
Supplies	78,363	80,464	79,481	81,785	83,543	84,135	84,733	85,337
Other Expenses	47,492	42,168	45,468	40,936	36,806	35,936	34,936	34,815
Depreciation and Amortization	28,673	28,323	29,087	30,226	33,084	33,727	35,710	37,777
Interest	<u>8,006</u>	<u>10,056</u>	<u>7,752</u>	<u>7,390</u>	<u>11,136</u>	<u>10,720</u>	<u>10,255</u>	<u>9,771</u>
Total Operating Expenses	<u>614,395</u>	<u>634,389</u>	<u>641,416</u>	<u>654,192</u>	<u>670,022</u>	<u>679,006</u>	<u>687,383</u>	<u>694,866</u>
	2,151	2,393	2,000	(4,973)	(7,714)	(11,079)	(13,212)	(13,810)
Performance Improvement Initiatives	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,895</u>	<u>11,687</u>	<u>16,088</u>	<u>19,280</u>	<u>20,621</u>
Operating Income	2,151	2,393	2,000	2,921	3,974	5,009	6,068	6,811
Non Operating Revenues	<u>(182)</u>	<u>1,415</u>	<u>3,123</u>	<u>2,805</u>	<u>2,399</u>	<u>2,547</u>	<u>2,710</u>	<u>2,880</u>
Excess of Revenues Over Expenses	<u>1,969</u>	<u>3,808</u>	<u>5,123</u>	<u>5,726</u>	<u>6,373</u>	<u>7,556</u>	<u>8,778</u>	<u>9,690</u>
Operating Margin %	0.35%	0.38%	0.31%	0.45%	0.60%	0.75%	0.90%	31.00%



## Balance Sheet – Projected (Thousands)

	Audited <u>2016</u>	Projected <u>2017</u>	Budget <u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Projected</u> <u>2021</u>	<u>2022</u>	<u>2023</u>
<b>ASSETS</b>								
<b>Current Assets</b>								
Cash	35,203	109,703	145,528	134,777	146,311	161,428	173,138	185,817
Patient Accounts Receivable	67,374	84,344	73,042	73,503	73,353	72,204	72,628	73,146
Other Current Assets	<u>84,992</u>	<u>48,193</u>	<u>48,446</u>	<u>48,705</u>	<u>48,970</u>	<u>49,242</u>	<u>49,520</u>	<u>49,806</u>
Total Current Assets	<u>187,569</u>	<u>242,240</u>	<u>267,016</u>	<u>256,984</u>	<u>268,634</u>	<u>282,874</u>	<u>295,287</u>	<u>308,770</u>
Assets Whose Use Is Limited	106,297	210,720	134,961	105,109	108,364	109,570	114,849	120,181
Property and Equipment	259,577	253,224	308,380	351,468	340,032	329,464	317,363	304,583
Other Assets	<u>161,699</u>	<u>94,408</u>	<u>90,709</u>	<u>87,073</u>	<u>83,497</u>	<u>79,986</u>	<u>76,577</u>	<u>73,242</u>
Total Assets	<u>715,142</u>	<u>800,592</u>	<u>801,066</u>	<u>800,635</u>	<u>800,527</u>	<u>801,894</u>	<u>804,076</u>	<u>806,775</u>
<b>LIABILITIES AND NET ASSETS</b>								
<b>Current Liabilities</b>								
Accounts Payable and Accrued Expenses	52,018	58,662	58,669	58,749	58,652	58,668	58,619	58,500
Estimated Third Party Payer Settlements	5,124	21,724	22,447	22,640	23,069	23,185	23,324	23,487
Current Portion of Long Term Debt	<u>18,811</u>	<u>9,479</u>	<u>10,338</u>	<u>10,726</u>	<u>10,242</u>	<u>10,614</u>	<u>10,970</u>	<u>11,379</u>
Total Current Liabilities	<u>75,953</u>	<u>89,865</u>	<u>91,454</u>	<u>92,115</u>	<u>91,963</u>	<u>92,467</u>	<u>92,913</u>	<u>93,366</u>
Long Term Debt	155,172	258,854	248,516	237,790	227,548	216,934	205,964	194,585
Self Insurance Reserves	319,359	279,959	281,359	282,766	284,180	285,601	287,029	288,464
Other Liabilities	<u>46,155</u>	<u>49,003</u>	<u>169,003</u>	<u>169,003</u>	<u>169,003</u>	<u>169,003</u>	<u>169,003</u>	<u>169,003</u>
Total Liabilities	<u>596,639</u>	<u>677,681</u>	<u>790,332</u>	<u>781,674</u>	<u>772,694</u>	<u>764,004</u>	<u>754,909</u>	<u>745,418</u>
Net Position	118,503	122,911	10,734	18,961	27,833	37,890	49,167	61,357
Total Liabilities and Net Assets	<u>715,142</u>	<u>800,592</u>	<u>801,066</u>	<u>800,635</u>	<u>800,527</u>	<u>801,894</u>	<u>804,076</u>	<u>806,775</u>

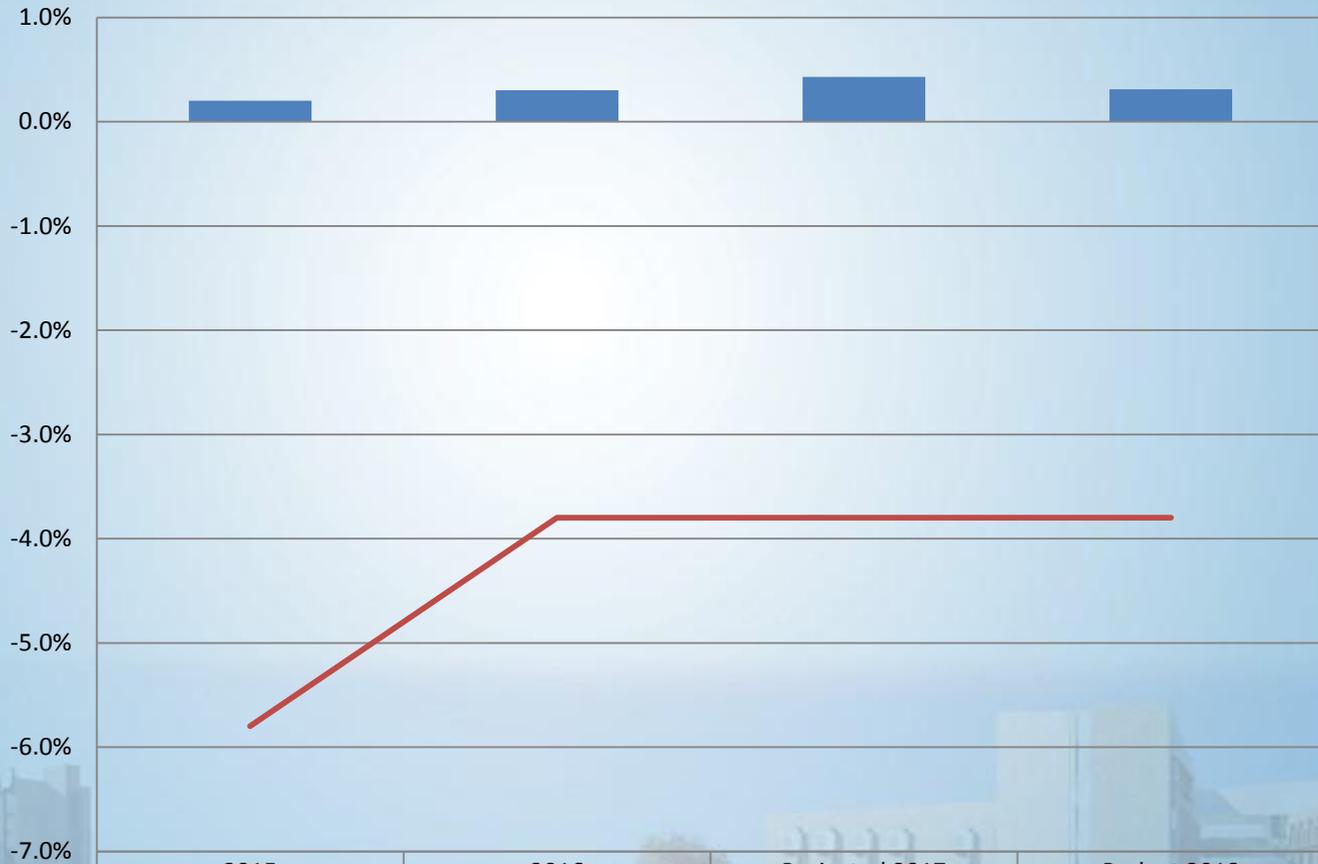
# Statement of Cash Flow - Projected

(Thousands)

	Audited 2016	Projected 2017	Budget 2018	2019	2020	Projected 2021	2022	2023
<b>Cash Flows From Operating Activities</b>								
Excess of Revenues Over Expenses	1,969	3,808	5,123	5,726	6,373	7,556	8,778	9,690
Depreciation & Amortization	28,673	28,323	29,087	30,226	33,084	33,727	35,710	37,777
(Increase) Decrease in Patient Accounts Receivable, Net	461	(16,970)	11,302	(461)	150	1,149	(424)	(518)
(Increase) Decrease in Current and Other Assets	(139,865)	104,090	3,446	3,377	3,311	3,239	3,130	3,049
Increase (Decrease) in Accounts Payable and Accrued Exp.	87,521	9,492	120,007	80	(97)	16	(48)	(119)
Increase (Decrease) in Third Party Payer Settlements	2,347	16,600	723	193	429	116	139	163
Increase (Decrease) in Self Insurance Liabilities	17,453	(39,400)	1,400	1,407	1,414	1,421	1,428	1,435
Net Cash Provided By (Used In) Operating Activities	<u>(1,441)</u>	<u>105,943</u>	<u>171,088</u>	<u>40,548</u>	<u>44,663</u>	<u>47,224</u>	<u>48,712</u>	<u>51,478</u>
<b>Cash Flows From Investing Activities</b>	19,398	(104,423)	75,759	29,852	(3,255)	(1,206)	(5,279)	(5,332)
<b>Cash Flows From Financing Activities</b>								
Additions to Property and Equipment	(8,233)	(21,970)	(84,243)	(73,314)	(21,647)	(23,159)	(23,609)	(24,997)
Proceeds from Financing	-	98,945	-	-	-	-	-	-
Other Change in Long Term Liabilities	-	8,281	-	-	-	-	-	-
Principal Payments on Long Term Debt	(10,691)	(12,876)	(9,479)	(10,338)	(10,726)	(10,242)	(10,614)	(10,970)
Other Changes in Net Position	(4,843)	600	(117,300)	2,500	2,500	2,500	2,500	2,500
Net Cash (Used In) Financing Activities	<u>(23,767)</u>	<u>72,980</u>	<u>(211,022)</u>	<u>(81,152)</u>	<u>(29,873)</u>	<u>(30,901)</u>	<u>(31,723)</u>	<u>(33,467)</u>
<b>Net Increase (Decrease) in Cash and Investments</b>	(5,810)	74,500	35,825	(10,752)	11,535	15,117	11,710	12,679
<b>Cash and Investments, Beginning</b>	<u>41,013</u>	<u>35,203</u>	<u>109,703</u>	<u>145,528</u>	<u>134,777</u>	<u>146,311</u>	<u>161,428</u>	<u>173,138</u>
<b>Cash and Investments, Ending</b>	<u>35,203</u>	<u>109,703</u>	<u>145,528</u>	<u>134,777</u>	<u>146,311</u>	<u>161,428</u>	<u>173,138</u>	<u>185,817</u>



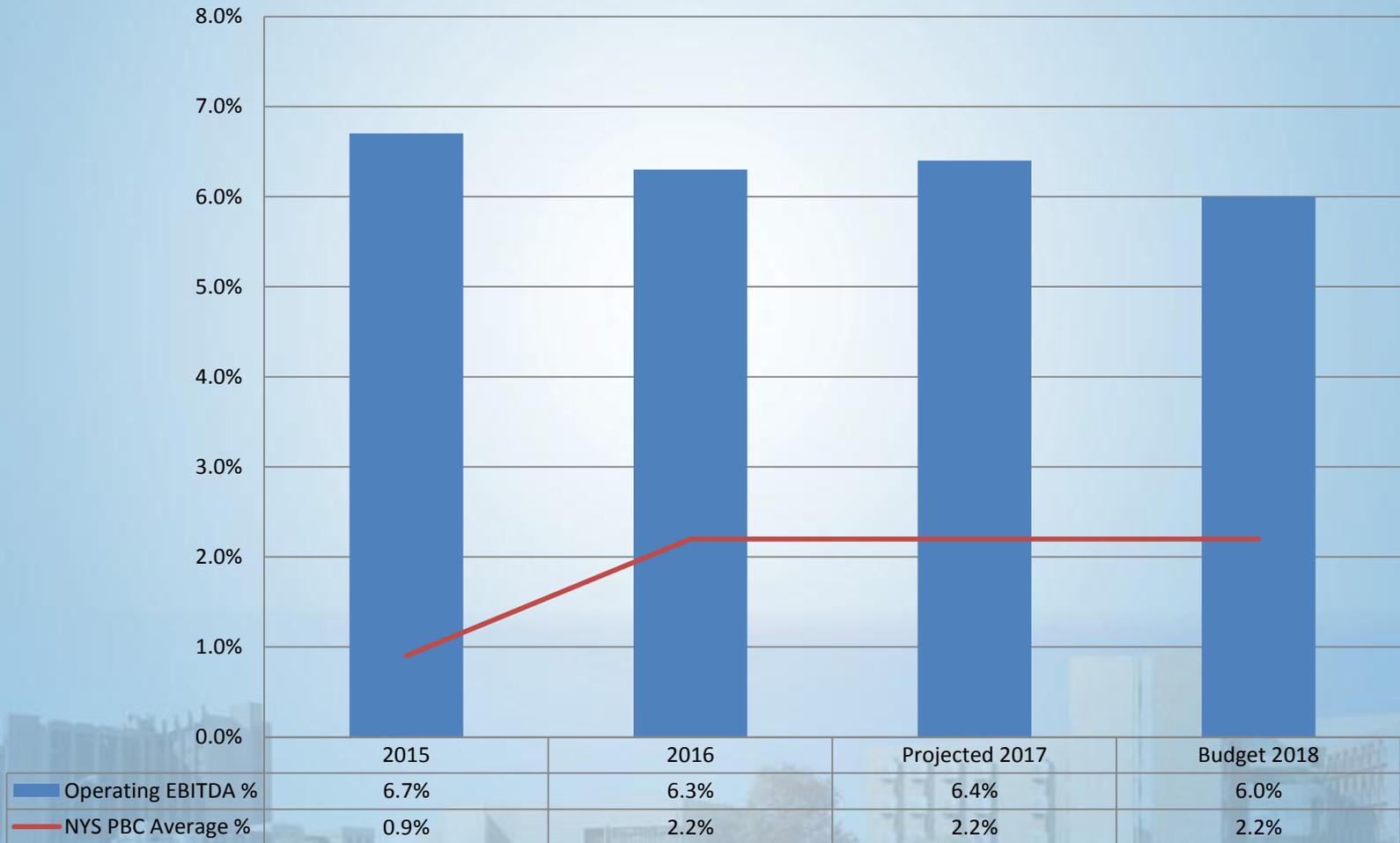
# Operating Margin



	2015	2016	Projected 2017	Budget 2018
Operating Margin %	0.2%	0.3%	0.4%	0.3%
NYS PBC Average %	-5.8%	-3.8%	-3.8%	-3.8%

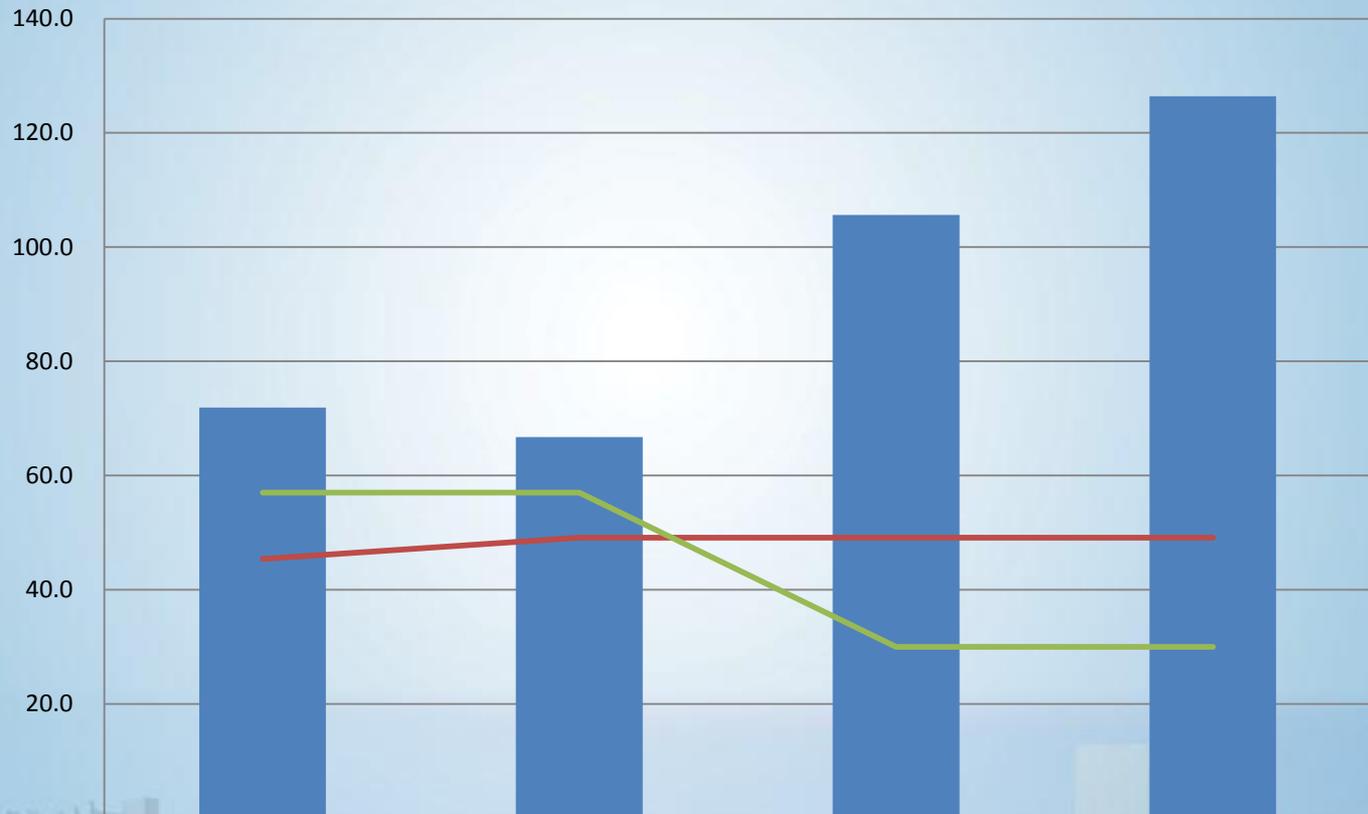


# EBITDA





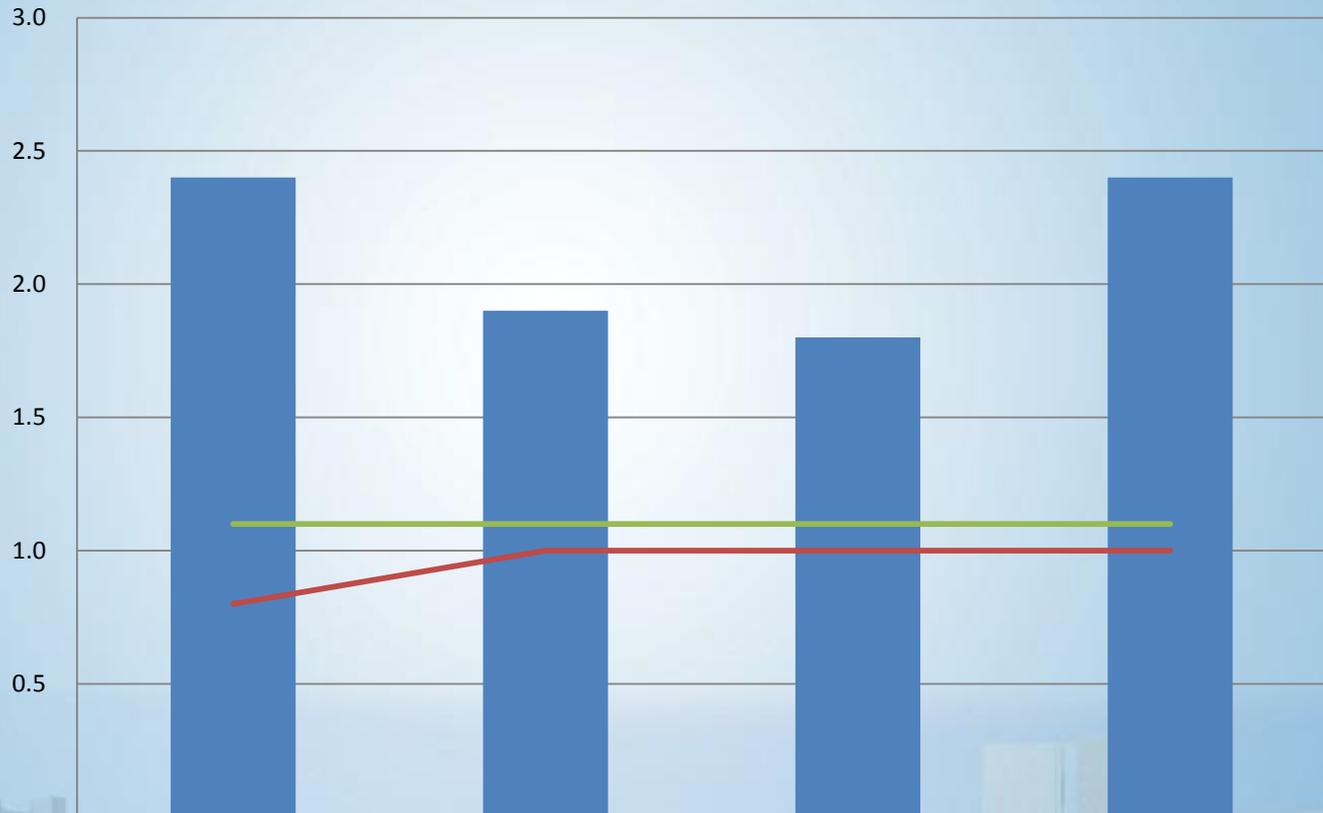
# Days Cash on Hand



	2015	2016	Projected 2017	Budget 2018
Days Cash On Hand	71.9	66.7	105.6	126.4
NYS PBC Average	45.4	49.1	49.1	49.1
Debt Covenant	57.0	57.0	30.0	30.0



# Debt Service Coverage



	2015	2016	Projected 2017	Budget 2018
Debt Service Coverage	2.4	1.9	1.8	2.4
NYS PBC Average	0.8	1.0	1.0	1.0
Debt Covenant	1.1	1.1	1.1	1.1



# Debt to Capitalization



	2015	2016	Projected 2017	Budget 2018
Debt to Total Capitalization	66.8%	59.5%	68.6%	96.0%
NYS PBC Average %	296.8%	387.9%	387.9%	387.9%