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# Erie County Medical Center Corporation Operating and Capital Budgets

For the year ending 2017





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# Management Discussion and Analysis

Management Discussion and Analysis  
September 30, 2017

The 2017 Operating and Capital Budgets (the “Budget”) presented in the following pages was developed by the Executive Leadership Team of Erie County Medical Center Corporation (“ECMCC”) and its management staff. 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.

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 0.2%. This level of performance is consistent with the projected 2016 operating margin and 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 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 on the result of operations, investments in capital assets, required principal payments on Long-Term debt and funding of employee benefits plans consistent with GASB 45 and GASB 68, and a stable net working capital position.

## Range of Outcomes and Contingency Plans:

Management has considered the sensitivity of each material assumption within the Budget and has included a schedule quantifying the range of potential outcomes for those assumptions. 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
- Review Budget Schedule, Goal and Macro Assumptions with Finance Committee of ECMCC Board
- ELT and Department / Service Line Leadership (D/SLL) Develop Patient Volumes
- Using Patient Volumes, Revenue Budget is prepared and D/SLL Prepare Detailed Expense Budgets
- ELT Meetings to Challenge Budgets and Make Decisions to Achieve Goals
- ELT Budget Recommendation Reviewed by Finance Committee of ECMCC Board
- Budget Recommendation Reviewed by ECMCC Board



# Key Financial Ratios

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Projected</u> <u>2016</u>	<u>Budget</u> <u>2017</u>
Operating Margin %	0.2%	0.2%	0.2%	0.2%	0.2%
NYS PBC Average %	-5.5%	-3.0%	-5.8%	-6.1%	-6.1%
Operating EBITDA %	6.3%	7.5%	6.7%	6.4%	6.8%
NYS PBC Average %	1.2%	3.6%	0.9%	0.0%	0.0%
FTE's	2,823	2,902	3,153	3,194	3,258
Days Cash On Hand	122.6	84.3	71.9	65.1	57.1
Debt Covenant	57.0	57.0	57.0	57.0	57.0
NYS PBC Average	42.9	57.0	45.4	50.2	50.2
Debt Service Coverage	1.9	2.6	2.4	1.9	1.7
Debt Covenant	1.1	1.1	1.1	1.1	1.1
NYS PBC Average	0.9	1.8	0.8	0.3	0.3
Debt to Total Capitalization	63.2%	61.8%	66.8%	76.4%	75.3%
NYS PBC Average %	258.7%	268.9%	296.8%	201.9%	201.9%
Salaries, Wages & Benefits % of Revenue	73.4%	65.7%	63.7%	64.9%	64.1%
Supply Expense % of Revenue	17.4%	16.0%	15.9%	16.3%	15.7%
Benefit % of Salaries and Wages	57.2%	54.7%	47.4%	49.9%	47.9%
Days In Accounts Receivable, net	48.0	43.5	52.9	51.1	50.9
NYS PBC Average	54.1	45.9	41.5	39.2	39.2



# Statement of Revenues and Expenses

## (Thousands)

	<u>2015 Audited</u>		<u>2016 Projected</u>		<u>2017 Budget</u>		<u>Increase (Decrease)</u>	
	\$	%	\$	%	\$	%	\$	%
Net Patient Revenue	465,083	100.0%	484,856	100.0%	509,502	100.0%	24,646	5.1%
Disproportionate Share / IGT and UPL Payments	59,237	12.7%	63,717	13.1%	63,717	12.5%	-	0.0%
Other Operating Revenues	<u>26,089</u>	<u>5.6%</u>	<u>35,499</u>	<u>7.3%</u>	<u>42,751</u>	<u>8.4%</u>	<u>7,252</u>	<u>20.4%</u>
Total Operating Revenues	<u>550,409</u>	<u>118.3%</u>	<u>584,072</u>	<u>120.5%</u>	<u>615,970</u>	<u>120.9%</u>	<u>31,898</u>	<u>5.5%</u>
Operating Expenses								
Salaries and Benefits	296,405	63.7%	314,459	64.9%	326,687	64.1%	12,228	3.9%
Physician Fees & Professional Services	113,509	24.4%	108,885	22.5%	117,142	23.0%	8,257	7.6%
Supplies	73,762	15.9%	78,798	16.3%	79,895	15.7%	1,097	1.4%
Other Expenses	29,863	6.4%	44,523	9.2%	50,663	9.9%	6,140	13.8%
Depreciation	27,906	6.0%	28,371	5.9%	28,087	5.5%	(284)	-1.0%
Interest	<u>8,233</u>	<u>1.8%</u>	<u>8,036</u>	<u>1.7%</u>	<u>12,496</u>	<u>2.5%</u>	<u>4,460</u>	<u>55.5%</u>
Total Operating Expenses	<u>549,678</u>	<u>118.2%</u>	<u>583,072</u>	<u>120.3%</u>	<u>614,970</u>	<u>120.7%</u>	<u>31,898</u>	<u>81.2%</u>
Income from Operations	731	0.2%	1,000	0.2%	1,000	0.2%	-	0.0%
Non Operating Revenues	<u>2,611</u>	<u>0.6%</u>	<u>(1,579)</u>	<u>-0.3%</u>	<u>1,278</u>	<u>0.3%</u>	<u>2,857</u>	<u>180.9%</u>
Excess of Revenues Over Expenses	<u>3,342</u>	<u>0.7%</u>	<u>(579)</u>	<u>-0.1%</u>	<u>2,278</u>	<u>0.4%</u>	<u>2,857</u>	<u>493.4%</u>



# Balance Sheets

## (Thousands)

	<u>2015 Audited</u>		<u>2016 Projected</u>		<u>2017 Budget</u>		<u>Increase (Decrease)</u>	
	\$	%	\$	%	\$	%	\$	%
<b>Assets</b>								
<b>Current Assets</b>								
Cash and Investments	40,885	6.6%	36,045	4.5%	27,926	3.6%	(8,119)	-22.5%
Patient Accounts Receivable, Net	67,529	10.9%	67,867	8.4%	71,051	9.3%	3,184	4.7%
Other Current Assets	<u>64,154</u>	<u>10.3%</u>	<u>59,377</u>	<u>7.3%</u>	<u>47,572</u>	<u>6.2%</u>	<u>(11,805)</u>	<u>-19.9%</u>
<b>Total Current Assets</b>	<b>172,568</b>	<b>27.8%</b>	<b>163,289</b>	<b>20.2%</b>	<b>146,549</b>	<b>19.1%</b>	<b>(16,740)</b>	<b>-10.3%</b>
<b>Total Assets Whose Use Is Limited</b>	<b>124,922</b>	<b>20.1%</b>	<b>220,841</b>	<b>27.3%</b>	<b>164,432</b>	<b>21.4%</b>	<b>(56,409)</b>	<b>-25.5%</b>
<b>Property and Equipment, Net</b>	<b>279,525</b>	<b>45.1%</b>	<b>255,154</b>	<b>31.5%</b>	<b>293,697</b>	<b>38.3%</b>	<b>38,543</b>	<b>15.1%</b>
<b>Other Assets</b>	<u>43,023</u>	<u>6.9%</u>	<u>169,537</u>	<u>21.0%</u>	<u>162,537</u>	<u>21.2%</u>	<u>(7,000)</u>	<u>-4.1%</u>
<b>Total Assets</b>	<u><b>620,038</b></u>	<u><b>100.0%</b></u>	<u><b>808,821</b></u>	<u><b>100.0%</b></u>	<u><b>767,215</b></u>	<u><b>100.0%</b></u>	<u><b>(41,606)</b></u>	<u><b>-5.1%</b></u>
<b>Liabilities and Net Assets</b>								
<b>Current Liabilities</b>								
Current Portion of Long Term Debt	10,620	1.7%	10,711	1.3%	10,791	1.4%	80	0.7%
Accounts Payable and Accrued Expenses	87,933	14.2%	63,934	7.9%	64,614	8.4%	680	1.1%
Liability to Third Party Payers, Net	<u>2,777</u>	<u>0.4%</u>	<u>11,403</u>	<u>1.4%</u>	<u>11,983</u>	<u>1.6%</u>	<u>580</u>	<u>5.1%</u>
<b>Total Current Liabilities</b>	<b>101,330</b>	<b>16.3%</b>	<b>86,048</b>	<b>10.6%</b>	<b>87,388</b>	<b>11.4%</b>	<b>1,340</b>	<b>1.6%</b>
<b>Other Liabilities</b>	56,957	9.2%	154,317	19.1%	122,137	15.9%	(32,180)	-20.9%
<b>Long Term Debt</b>	165,883	26.8%	267,172	33.0%	254,293	33.1%	(12,879)	-4.8%
<b>Self Insurance Liabilities</b>	<u>175,977</u>	<u>28.4%</u>	<u>183,052</u>	<u>22.6%</u>	<u>183,967</u>	<u>24.0%</u>	<u>915</u>	<u>0.5%</u>
<b>Total Liabilities</b>	<b>500,147</b>	<b>80.7%</b>	<b>690,589</b>	<b>85.4%</b>	<b>647,785</b>	<b>84.4%</b>	<b>(42,804)</b>	<b>-6.2%</b>
<b>Total Net Assets</b>	<u>119,891</u>	<u>19.3%</u>	<u>118,232</u>	<u>14.6%</u>	<u>119,430</u>	<u>15.6%</u>	<u>1,198</u>	<u>1.0%</u>
<b>Total Liabilities and Net Assets</b>	<u><b>620,038</b></u>	<u><b>100.0%</b></u>	<u><b>808,821</b></u>	<u><b>100.0%</b></u>	<u><b>767,215</b></u>	<u><b>100.0%</b></u>	<u><b>(41,606)</b></u>	<u><b>-5.1%</b></u>





# Statement of Cash Flow

(Thousands)

	<u>Audited</u> <u>2015</u>	<u>Projected</u> <u>2016</u>	<u>Budget</u> <u>2017</u>
<b>Cash Flows From Operating Activities</b>			
Excess of Revenues Over Expenses	3,342	(579)	2,278
Depreciation & Amortization	27,906	28,371	28,087
(Increase) Decrease in Patient Accounts Receivable, Net	(16,038)	(338)	(3,184)
(Increase) Decrease in Other Current Assets	12,718	(121,737)	18,805
Increase (Decrease) in Accounts Payable and Accrued Exp.	38,501	(23,999)	680
Increase (Decrease) in Third Party Payer Settlements	(17,734)	8,626	580
Increase (Decrease) in Self Insurance Liabilities	7,230	7,075	915
Increase (Decrease) in Other Liabilities	<u>12,472</u>	<u>97,360</u>	<u>(32,180)</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>68,397</u>	<u>(5,221)</u>	<u>15,981</u>
<b>Cash Flows From Investing Activities</b>			
(Increase) Decrease in Assets Whose Use is Limited	(17,954)	(95,919)	56,409
<b>Cash Flows From Financing Activities</b>			
Additions to Property and Equipment	(18,384)	(4,000)	(66,630)
Principal Payments on Long Term Debt	1,787	101,380	(12,799)
Other Financing Activities, Net	<u>(2,482)</u>	<u>(1,080)</u>	<u>(1,080)</u>
<b>Net Cash (Used In) Financing Activities</b>	<u>(19,079)</u>	<u>96,300</u>	<u>(80,509)</u>
<b>Net Increase (Decrease) in Cash and Investments</b>	31,364	(4,840)	(8,119)
<b>Cash and Investments, Beginning</b>	<u>9,521</u>	<u>40,885</u>	<u>36,045</u>
<b>Cash and Investments, Ending</b>	<u>40,885</u>	<u>36,045</u>	<u>27,926</u>



# Operating Performance Reconciliation

## (Thousands)

	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Income</u>
Projected 2016 Operating Income	584,072	583,072	1,000
Payor Rate Increases/Decreases, Net of Bad Debt	4,734		4,734
Volume Changes, Net	13,109	5,681	7,428
Revenue Cycle Improvements	6,000		6,000
DSRIP/IAAF/ Planning Grant Revenue	7,578	6,835	743
Reduction in Overtime		(220)	220
Wage Increases and Other Salary Changes		7,452	(7,452)
Benefits Changes, Net		1,110	(1,110)
Physician Fees		5,647	(5,647)
Increase in Purchased Services		2,610	(2,610)
Increase in Interest Expense		4,460	(4,460)
Supply Chain Initiatives		(2,200)	2,200
Supply and Pharmacy Cost Inflation		2,905	(2,905)
All Other, Net	<u>477</u>	<u>(2,382)</u>	<u>2,859</u>
Budgeted 2017 Operating Income	<u>615,970</u>	<u>614,970</u>	<u>1,000</u>



# Principal Assumptions

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





# Volume Assumptions

	2015 <u>Actual</u>	2016 <u>Projection</u>	2017 <u>Budget</u>	<u>Increase (Decrease)</u> <u>16 - 17</u> <u>%</u>	
Discharges	18,378	18,732	18,755	23	0.1%
Average Length of Stay					
Acute	6.3	6.6	6.3	(0.3)	-4.5%
Other	<u>11.1</u>	<u>10.7</u>	<u>10.9</u>	<u>0.2</u>	<u>1.9%</u>
Total	<u><u>8.1</u></u>	<u><u>7.8</u></u>	<u><u>7.8</u></u>	<u><u>-</u></u>	<u><u>0.0%</u></u>
Observation	4,421	4,483	4,483	-	0.0%
Outpatient Visits					
Clinics	107,040	110,341	121,412	11,071	10.0%
Behavioral Health	32,978	35,210	35,560	350	1.0%
Chemical Dependency	53,592	51,406	51,406	-	0.0%
Dialysis	25,036	27,340	28,584	1,244	4.6%
Therapies	71,425	70,000	73,271	3,271	4.7%
Transplant/Vascular	<u>5,147</u>	<u>6,508</u>	<u>6,821</u>	<u>313</u>	<u>4.8%</u>
Total	<u><u>295,218</u></u>	<u><u>300,805</u></u>	<u><u>317,054</u></u>	<u><u>16,249</u></u>	<u><u>5.4%</u></u>
Surgical Cases					
Inpatient	5,525	5,814	5,916	102	1.8%
Outpatient	6,763	7,369	7,868	499	6.8%
Ancillary	<u>1,283</u>	<u>1,474</u>	<u>1,474</u>	<u>-</u>	<u>0.0%</u>
Total	<u><u>13,571</u></u>	<u><u>14,657</u></u>	<u><u>15,258</u></u>	<u><u>601</u></u>	<u><u>4.1%</u></u>
Emergency Visits	54,854	57,225	57,225	-	0.0%
CPEP Visits	12,434	12,312	12,312	-	0.0%
Terrace View ADC	381	377	386	9	2.4%





# Revenue and Reimbursement Assumptions

## Hospital Services

- Medicare
  - Rates based on FFY 2017 final rule; 1.22% market basket increase
  - Continued reductions in outlier payments and others
  - Final DRG weight (case mix) change +.0047
- Medicaid
  - 0.8% increase in operating rates
  - Continued capital payment
- Workers' Comp / No Fault
  - 1.0% increase in operating rates
- Other Payers
  - Per contracts in effect
  - Commercial increase range 1.7% to 4.75%
  - Medicare plans range -2.0% to 2.0%
  - Medicaid plans range 0.0% to 1.0%
  - \$987 Thousand value based purchasing incentives



# Revenue and Reimbursement Assumptions

## Terrace View Services

- Medicare
  - 2.4% rate increase
- Medicaid
  - No increase to rates
  - CMI budget at 1.1
- Commercial Payers
  - Per contracts in effect





# IGT and UPL Revenue

	<b>Audited <u>2015</u></b>	<b>Projected <u>2016</u></b>	<b>Budget <u>2017</u></b>
IGT	42,503	50,777	50,777
UPL	16,734	12,940	12,940
Total	<u>59,237</u>	<u>63,717</u>	<u>63,717</u>





# Other Revenues

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b><u>Actual</u></b>	<b><u>Projected</u></b>	<b><u>Budget</u></b>
Rent Revenue	2,823	1,180	1,306
Grant Revenue	3,352	2,690	2,370
IAAF Grant Award	5,400	-	-
DSRIP Grant Revenue	5,143	23,719	31,297
Planning Grant Award	1,579	-	-
I.T. Meaningful Use Incentive Award	324	375	-
Parking Revenues	277	267	272
Local Payer Quality Incentive Payments	614	963	987
Other	6,522	6,305	6,519
	<b>26,034</b>	<b>35,499</b>	<b>42,751</b>





# Millennium Collaborative Care

	2016		2017	
	<u>Projected</u>	<u>%</u>	<u>Budget</u>	<u>%</u>
Grant Revenue	23,719	100.0%	31,297	100.0%
Grant Expenses:				
To DSRIP participating providers	14,921	62.9%	21,371	68.3%
DSRIP administrative expenses	<u>7,710</u>	<u>32.5%</u>	<u>8,096</u>	<u>25.9%</u>
Total Expense's	<u>22,631</u>	<u>95.4%</u>	<u>29,466</u>	<u>94.1%</u>
Net Distribution to ECMCC	<u><u>1,088</u></u>	<u><u>4.6%</u></u>	<u><u>1,831</u></u>	<u><u>5.9%</u></u>



# Salary Expense Reconciliation

	<u>FTE's</u>	<u>Thousands of \$</u>
Projected 2016 FTE's / Salaries and Wages	3,194	209,845
Increases In Staffing	<u>65</u>	<u>3,878</u>
Collective Barginning Agreement Increases		
95.2% of Employees	3,103	
Step Increases (1.4%)		2,646
Pay Increases per CBA's (2.3%)		<u>4,257</u>
Total Collective Barginning Agreement Increases (3.7%)		<u>6,903</u>
Management Confidential Increases (2.0%)		
4.8% of Employees	156	549
Reduction in Overtime	<u>-</u>	<u>(220)</u>
Budget 2017 FTE's / Salaries and Wages	<u>3,259</u> <u>3,259</u>	<u>220,955</u>



# Benefits Expense

## Benefits:

- Net increase of \$1.1 Million or (1.1%)
  - 49.9% of salaries to 47.9% of salaries
- Increases:
  - Health insurance – active and retiree's
    - 5% increase on Health/Dental insurance
    - 10% increase in Pharmacy
  - Payroll taxes on increased salaries
- Decreases:
  - Workers' Compensation



# Other Operating Expenses

## Physician & Residents:

- Net increase of \$5.6 Million (8.3%)
  - Increases in contractual obligations offset by growth in professional fee revenue
  - Increases in number of physicians offset by enhanced revenue
  - \$3.1 Million for continued funding of Advanced Medical Home

## Contractual Fees:

- Net increase of \$2.6 Million (6.4%)
  - Reduction in consulting, purchased services and maintenance contracts
  - Increase in Information Technology

## Medical Supplies:

- Net increase of \$1.1 Million (1.4%)
  - 1.0% increase in pharmaceuticals, 10% inflation offset by anticipated utilization and cost saving measures
  - \$2.2 Million projected decrease in costs due to GPO contract
  - \$3.3 Million increase in Transplant related volume increase





# Cash Flow Assumptions

- Net decrease in cash of \$8 Million (22.5%)
  - 65.1 days cash to 57.1 days cash
- Accounts receivable increase of \$3.1 Million (4.7%)
  - 51.1 days to 50.9 days
- Consistent other Net Working Capital accounts
- No change in actuarial positions
- Capital budget spend of \$7.5 Million plus carryover of \$6M for a total of \$13.6M
- Long Term Debt repayments per debt agreements
- New Long Term Debt to support capital projects



# Range of Assumptions Impact Analysis

## (Thousands)

	Worst <u>Case</u>	<u>Budget</u>	Best <u>Case</u>
Revenue Cycle Improvement	3,000	6,000	9,000
Medicare Rate Update 10/1/17	-	-	400
IGT/UPL Payments	61,000	63,717	66,000
Overtime Management	-	220	2,000
PTO Adjustment for Retirees	600	1,200	1,900
HRIS Implementation Savings	-	400	800
Terrace View Pharmacy RFP	420	840	1,000
Supply Chain Savings	<u>500</u>	<u>2,200</u>	<u>4,000</u>
<b>Totals</b>	<b><u>65,520</u></b>	<b><u>74,577</u></b>	<b><u>85,100</u></b>

Range of Outcomes \$ 19,580

% Into Range 46%



# Performance Improvement Opportunities

- High reliability organization focus
- HRIS implementation
- Selective 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
- Clinical process variation analysis



# Emerging Issues and Accounting Pronouncements

- DSRIP
- Debt Issuance
- Medicare Bundled Payment Project/CJR
- Managed Care Requirement for LTC
- GASB 45/75 Transition
- GASB 68 Assumptions
- ASC 605 & ASU-2014-09 – Revenue Recognition
- ASC 842 – Leases Exposure Draft – Accounting for Leases





# Capital Budget Summary

- \$13.6 Million spend
  - \$6.1 Million carry-over projects
  - \$7.5 Million new spend
- Contingency fund allocation of new spend





# Financing Transaction

- Goals
  - Provide capital for critical projects on ECMC campus
  - Maintain affordable Debt Service structure
- Structure
  - Erie County stronger credit rating provides favorable interest rate
  - Refinance 2011 debt in addition to providing new money
  - Maintain current debt service profile



# 5 Year Financial Projections

- Phase in to a 0.45% Operating Margin
- Volume adjusted for anticipated completion 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>2015</u>	Projected <u>2016</u>	Budget <u>2017</u>	<u>2018</u>	<u>2019</u>	Projected <u>2020</u>	<u>2021</u>	<u>2022</u>
Net Patient Service Revenue	465,083	484,856	509,502	521,189	542,830	563,311	581,134	594,086
Disproportionate Share, IGT and UPL Revenue	59,237	63,717	63,717	69,582	73,218	76,892	80,602	84,341
Other Operating Revenue	<u>26,089</u>	<u>35,499</u>	<u>42,751</u>	<u>41,734</u>	<u>39,898</u>	<u>38,062</u>	<u>36,226</u>	<u>34,390</u>
Total Operating Revenue	<u>550,409</u>	<u>584,072</u>	<u>615,970</u>	<u>632,505</u>	<u>655,946</u>	<u>678,265</u>	<u>697,962</u>	<u>712,817</u>
Operating Expenses								
Salaries and Benefits	296,405	314,459	326,687	338,858	351,711	367,329	382,340	391,434
Physician Fees and Professional Services	113,509	108,885	117,142	120,071	123,072	126,149	129,303	132,535
Supplies	73,762	78,798	79,895	83,749	87,738	92,048	96,017	99,250
Other Expenses	29,863	44,523	50,663	49,909	48,611	47,274	45,896	44,477
Depreciation and Amortization	27,906	28,371	28,087	26,363	26,406	26,849	26,446	27,383
Interest	<u>8,233</u>	<u>8,036</u>	<u>12,496</u>	<u>11,974</u>	<u>16,440</u>	<u>16,241</u>	<u>15,167</u>	<u>14,530</u>
Total Operating Expenses	<u>549,678</u>	<u>583,072</u>	<u>614,970</u>	<u>630,924</u>	<u>653,978</u>	<u>675,891</u>	<u>695,170</u>	<u>709,609</u>
Income From Operations	731	1,000	1,000	1,581	1,968	2,374	2,792	3,208
Non Operating Revenues	<u>2,611</u>	<u>(1,579)</u>	<u>1,278</u>	<u>1,278</u>	<u>1,278</u>	<u>1,278</u>	<u>1,278</u>	<u>1,278</u>
Excess of Revenues Over Expenses	<u>3,342</u>	<u>(579)</u>	<u>2,278</u>	<u>2,859</u>	<u>3,246</u>	<u>3,652</u>	<u>4,070</u>	<u>4,486</u>
Operating Margin %	0.13%	0.17%	0.16%	0.25%	0.30%	0.35%	0.40%	0.45%





# Balance Sheet – Projected

## (Thousands)

	Audited <u>2015</u>	Projected <u>2016</u>	Budget <u>2017</u>	<u>2018</u>	<u>2019</u>	Projected <u>2020</u>	<u>2021</u>	<u>2022</u>
<b>ASSETS</b>								
<b>Current Assets</b>								
Cash	40,885	36,045	27,926	35,160	27,156	20,986	25,626	34,131
Patient Accounts Receivable	67,529	67,867	71,051	70,111	71,535	72,690	74,990	76,662
Other Current Assets	<u>64,154</u>	<u>59,377</u>	<u>47,572</u>	<u>47,772</u>	<u>47,977</u>	<u>48,187</u>	<u>48,402</u>	<u>48,623</u>
Total Current Assets	<u>172,568</u>	<u>163,289</u>	<u>146,549</u>	<u>153,042</u>	<u>146,667</u>	<u>141,863</u>	<u>149,018</u>	<u>159,415</u>
Assets Whose Use Is Limited	124,922	220,841	164,432	115,693	105,231	98,557	95,936	96,313
Property and Equipment	279,525	255,154	293,697	330,654	327,868	313,089	301,392	290,616
Other Assets	<u>43,023</u>	<u>169,537</u>	<u>162,537</u>	<u>46,541</u>	<u>39,691</u>	<u>32,941</u>	<u>26,291</u>	<u>19,741</u>
Total Assets	<u>620,038</u>	<u>808,821</u>	<u>767,215</u>	<u>645,931</u>	<u>619,458</u>	<u>586,450</u>	<u>572,638</u>	<u>566,085</u>
<b>LIABILITIES AND NET ASSETS</b>								
<b>Current Liabilities</b>								
Accounts Payable and Accrued Expenses	87,933	63,934	64,614	65,759	66,847	68,095	69,253	70,678
Estimated Third Party Payer Settlements	2,777	11,403	11,983	12,257	12,766	13,248	13,667	13,972
Current Portion of Long Term Debt	<u>10,620</u>	<u>10,711</u>	<u>10,791</u>	<u>11,223</u>	<u>10,506</u>	<u>9,768</u>	<u>10,202</u>	<u>10,660</u>
Total Current Liabilities	<u>101,330</u>	<u>86,048</u>	<u>87,388</u>	<u>89,240</u>	<u>90,119</u>	<u>91,111</u>	<u>93,122</u>	<u>95,310</u>
Long Term Debt	165,883	267,172	254,293	240,918	228,195	216,144	203,588	190,503
Self Insurance Reserves	175,977	183,052	183,967	184,887	185,812	186,741	187,674	188,613
Other Liabilities	<u>56,957</u>	<u>154,317</u>	<u>122,137</u>	<u>99,677</u>	<u>71,957</u>	<u>46,507</u>	<u>39,317</u>	<u>39,317</u>
Total Liabilities	<u>500,147</u>	<u>690,589</u>	<u>647,785</u>	<u>614,722</u>	<u>576,083</u>	<u>540,503</u>	<u>523,701</u>	<u>513,743</u>
Net Position	119,891	118,232	119,430	31,209	43,375	45,947	48,937	52,343
Total Liabilities and Net Assets	<u>620,038</u>	<u>808,821</u>	<u>767,215</u>	<u>645,931</u>	<u>619,458</u>	<u>586,450</u>	<u>572,638</u>	<u>566,085</u>



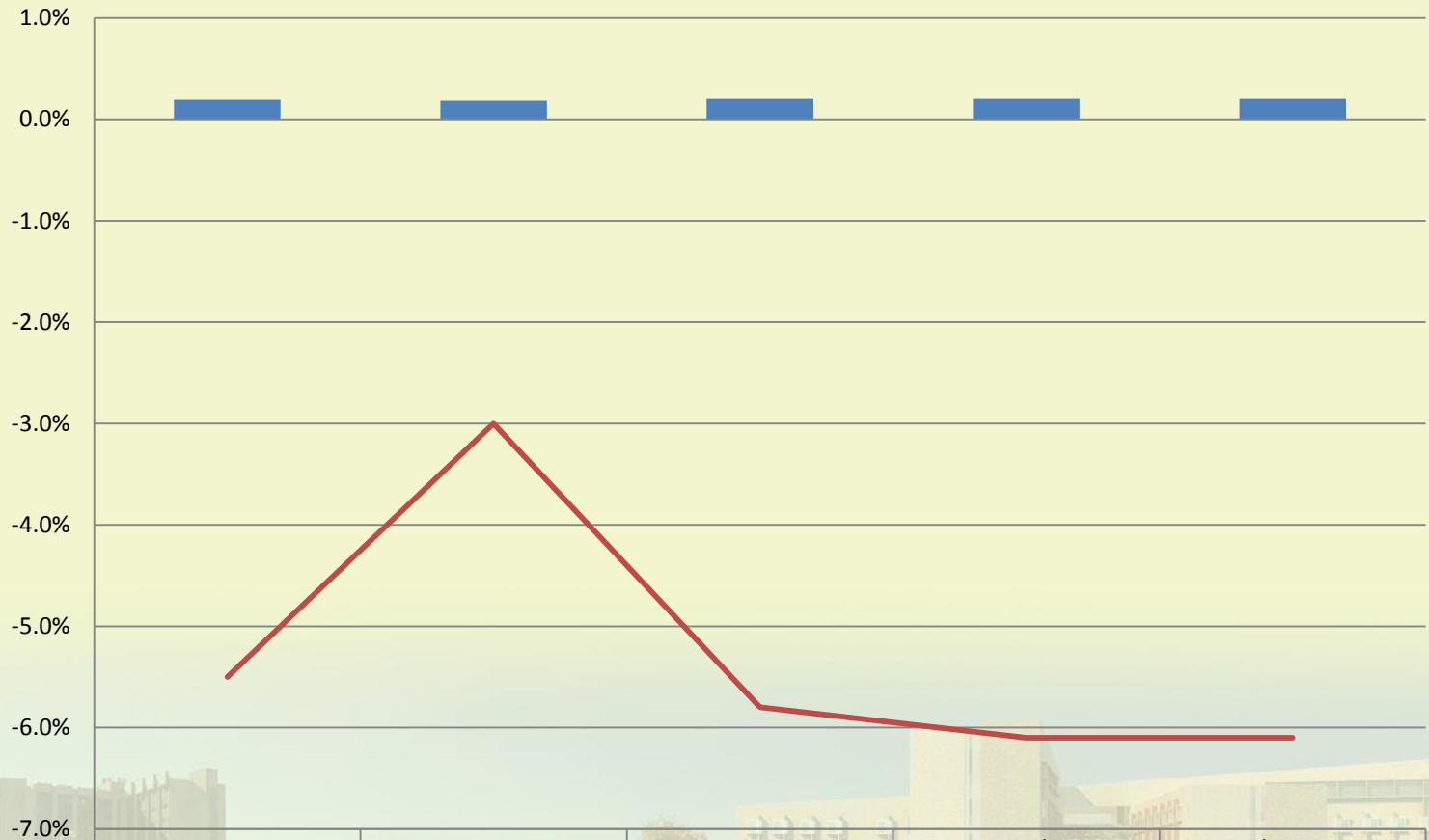
# Statement of Cash Flow - Projected

## (Thousands)

	Audited <u>2015</u>	Projected <u>2016</u>	Budget <u>2017</u>	<u>2018</u>	<u>2019</u>	Projected <u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Cash Flows From Operating Activities</b>								
Excess of Revenues Over Expenses	3,342	(579)	2,278	2,859	3,246	3,652	4,070	4,486
Depreciation & Amortization	27,906	28,371	28,087	26,363	26,406	26,849	27,697	30,776
(Increase) Decrease in Patient Accounts Receivable, Net	(16,038)	(338)	(3,184)	940	(1,424)	(1,156)	(2,300)	(1,671)
(Increase) Decrease in Other Current Assets	12,718	(121,737)	18,805	115,796	6,645	6,540	6,435	6,329
Increase (Decrease) in Accounts Payable and Accrued Exp.	38,501	(23,999)	680	1,145	1,087	1,248	1,158	1,425
Increase (Decrease) in Third Party Payer Settlements	(17,734)	8,626	580	275	509	482	419	305
Increase (Decrease) in Self Insurance Liabilities	7,230	7,075	915	920	924	929	934	938
Increase (Decrease) in Other Liabilities	<u>12,472</u>	<u>97,360</u>	<u>(32,180)</u>	<u>(22,460)</u>	<u>(27,720)</u>	<u>(25,450)</u>	<u>(7,190)</u>	<u>-</u>
Net Cash Provided By (Used In) Operating Activities	<u>68,397</u>	<u>(5,221)</u>	<u>15,981</u>	<u>125,838</u>	<u>9,674</u>	<u>13,094</u>	<u>31,222</u>	<u>42,588</u>
<b>Cash Flows From Investing Activities</b>								
	(17,954)	(95,919)	56,409	48,739	10,462	6,675	2,620	(377)
<b>Cash Flows From Financing Activities</b>								
Additions to Property and Equipment	(18,384)	(4,000)	(66,630)	(63,320)	(23,620)	(12,070)	(16,000)	(20,000)
Principal Payments on Long Term Debt	1,787	101,380	(12,799)	(12,943)	(13,440)	(12,789)	(12,122)	(12,627)
Other Financing Activities, Net	<u>(2,482)</u>	<u>(1,080)</u>	<u>(1,080)</u>	<u>(91,080)</u>	<u>8,920</u>	<u>(1,080)</u>	<u>(1,080)</u>	<u>(1,080)</u>
Net Cash (Used In) Financing Activities	<u>(19,079)</u>	<u>96,300</u>	<u>(80,509)</u>	<u>(167,343)</u>	<u>(28,140)</u>	<u>(25,939)</u>	<u>(29,202)</u>	<u>(33,707)</u>
Net Increase (Decrease) in Cash and Investments	31,364	(4,840)	(8,119)	7,234	(8,004)	(6,170)	4,640	8,504
Cash and Investments, Beginning	<u>9,521</u>	<u>40,885</u>	<u>36,045</u>	<u>27,926</u>	<u>35,160</u>	<u>27,156</u>	<u>20,986</u>	<u>25,626</u>
Cash and Investments, Ending	<u>40,885</u>	<u>36,045</u>	<u>27,926</u>	<u>35,160</u>	<u>27,156</u>	<u>20,986</u>	<u>25,626</u>	<u>34,131</u>



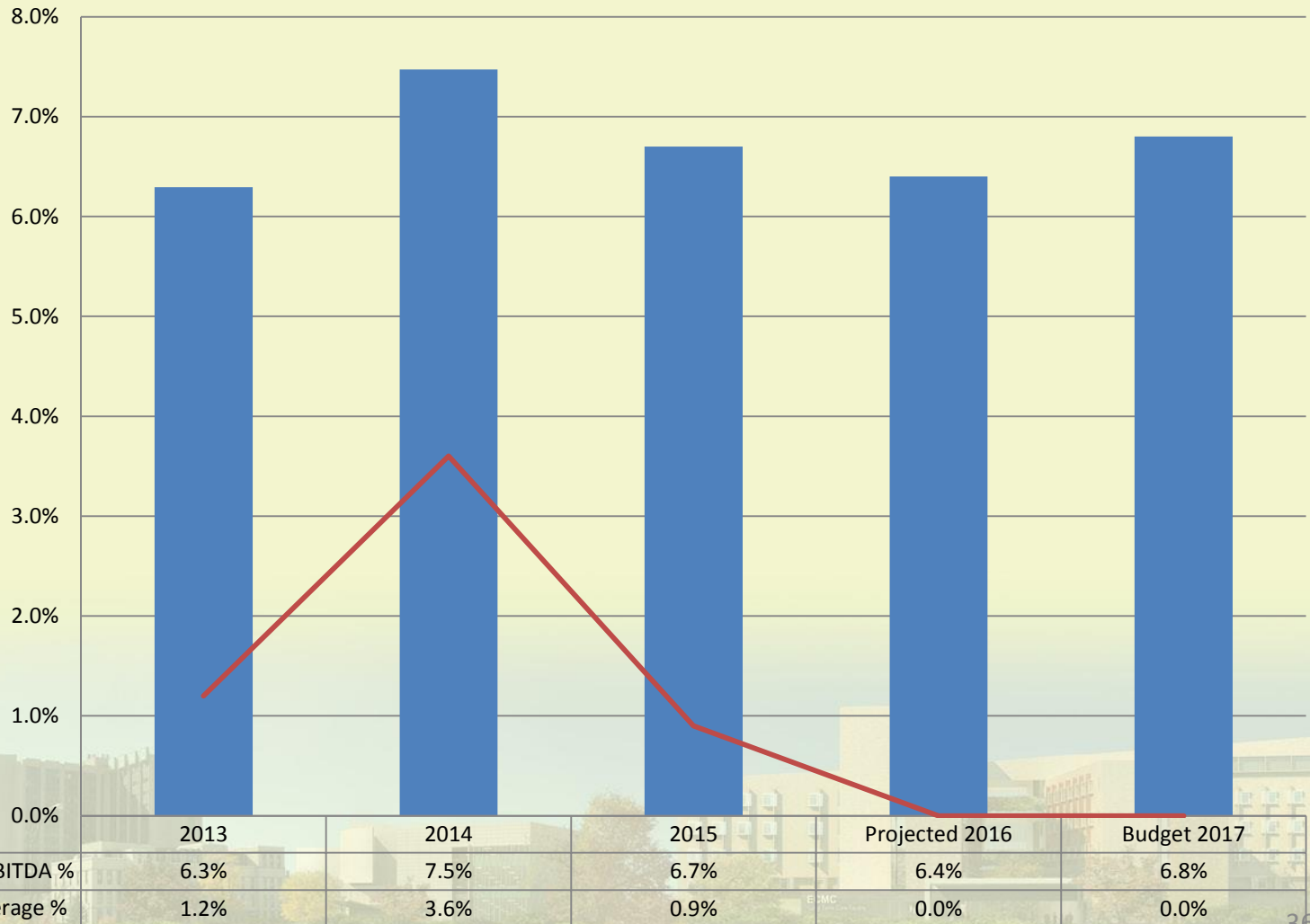
# Operating Margin



	2013	2014	2015	Projected 2016	Budget 2017
Operating Margin %	0.2%	0.2%	0.2%	0.2%	0.2%
NYS PBC Average %	-5.5%	-3.0%	-5.8%	-6.1%	-6.1%



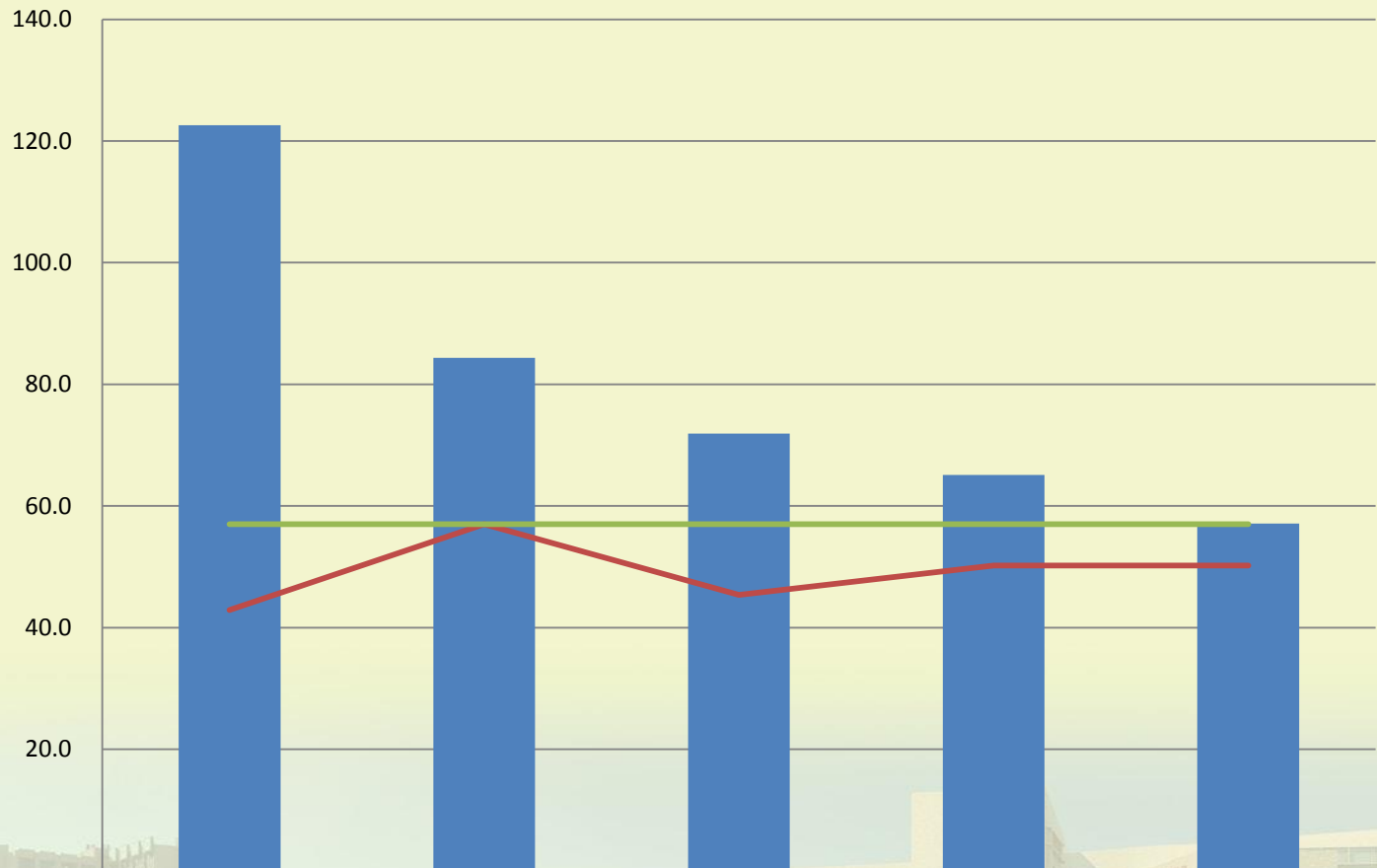
# EBITDA







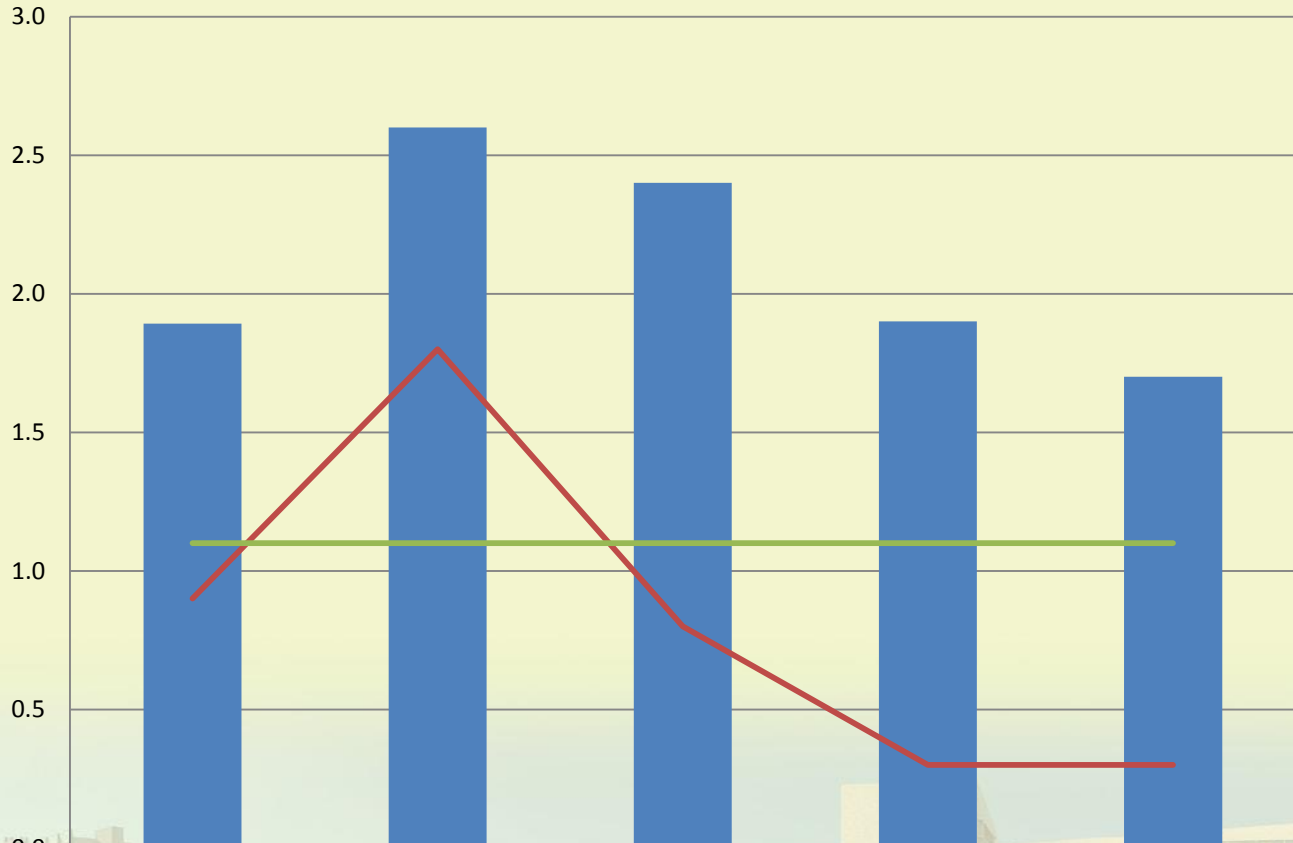
# Days Cash on Hand



	2013	2014	2015	Projected 2016	Budget 2017
Days Cash On Hand	122.6	84.3	71.9	65.1	57.1
NYS PBC Average	42.9	57.0	45.4	50.2	50.2
Debt Covenant	57	57	57	57	57



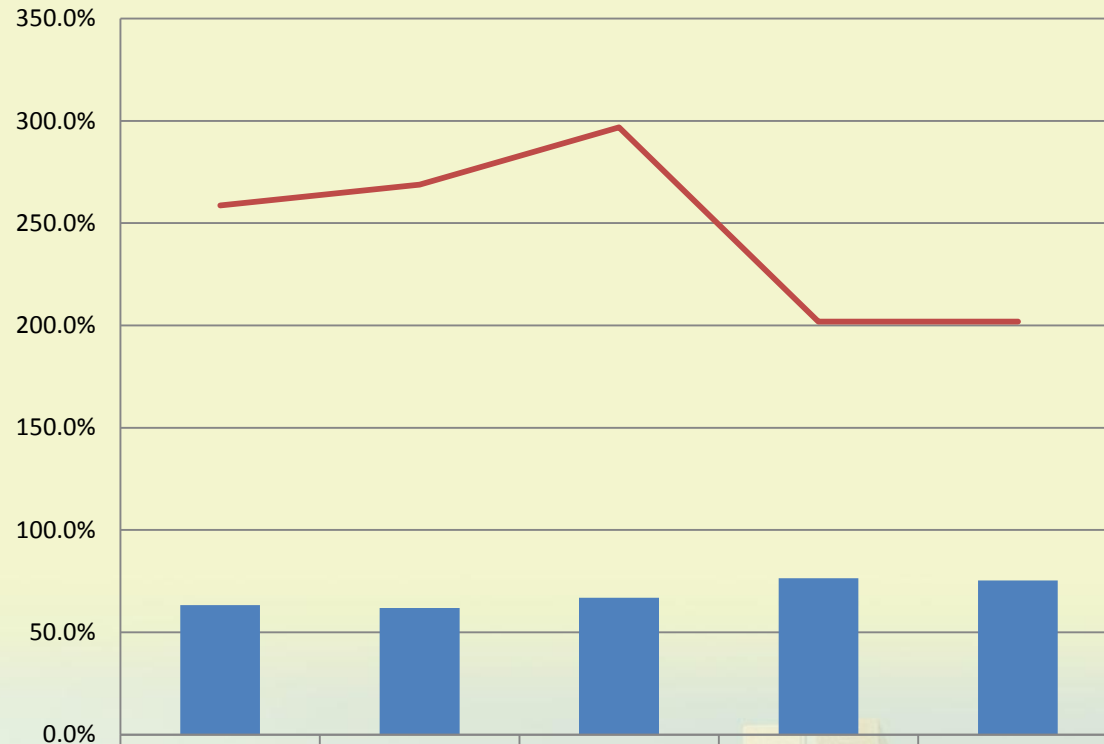
# Debt Service Coverage



	2013	2014	2015	Projected 2016	Budget 2017
Debt Service Coverage	1.9	2.6	2.4	1.9	1.7
NYS PBC Average	0.9	1.8	0.8	0.3	0.3
Debt Covenant	1.1	1.1	1.1	1.1	1.1



# Debt to Capitalization



	2013	2014	2015	Projected 2016	Budget 2017
Debt to Total Capitalization	63.2%	61.8%	66.8%	76.4%	75.3%
NYS PBC Average %	258.7%	268.9%	296.8%	201.9%	201.9%