



Alameda Health System
FY20 Budget – Budget Update



FY20 Budget -Current Status and Direction from BoT

1. Fiscal (FY20) Budget presented at BoT retreat at (5.3%) EBIDA.
2. BoT advised AHS management to target EBIDA between 1.47% and 2.8%
3. AHS is at a gap of \$64.6M from the 1.47% EBIDA target.
4. AHS BoT also endorsed the following principles to guide further budget preparations:
 - Review all direct patient care services for future continuance.
 - All employee salaries need not be maintained at current levels, or higher.
 - All employee benefits need not be maintained at current levels, or higher.
 - AHS should seek to reduce losses in clinical services that are also available through other entities in the county.

Options under Consideration

OPTIONS	Estimated Financial Impact (FY20)
1) Wage Freeze for all exempt employees	\$3.4 M
2) Furloughs for administrative and executive staff	\$2.7 – \$5.9M
3) Benefits re-structuring	TBD
4) Evaluation of lower margin programs for continued delivery	TBD

Additional work in progress	Estimated Financial Impact (FY20)
5) Adding revenue/volume by conversion of same day clinic at Highland into urgent care	Work in progress
6) Re-evaluating ED volumes in budget	Work in progress
7) Pro fee revenue capture from conversion of contracted physicians to employed.	Work in progress

Options Under Consideration – Wage Freeze & Furlough

	OPTION	Number of employees (in FTE)	Status	Fiscal Impact (incl. tax)	Assumptions	Risks
1	Wage Freeze					
		408.9	Unrepresented	\$ 2,029,974	Can be implemented July 1	Staff Morale; expected turnover
		296.3	ACMEA	\$ 1,371,013		Staff Morale; expected turnover
		TBD	Current Open contracts and Contracts opening in FY20	TBD	TBD	TBD
		TBD	Contracts Requiring Re-openers	TBD	TBD	TBD
		705.2	TOTAL	\$ 3,400,987		

	OPTION	Number of employees (in FTE)	Status	Fiscal Impact (Incl. tax)		Assumptions	Risks
				1 day/mo	1 day/PP		
2	Furloughs						
		408.9	Exempt	\$ 2,754,854	\$ 5,968,851	1day/PP equate to 208 hours per year or 26 days furlough	Staff Morale; expected turnover
			ACMEA	TBD	TBD	TBD	TBD
			Current Open contracts and Contracts opening in FY20	TBD	TBD	TBD	TBD
			Contracts Requiring Re-openers	TBD	TBD	TBD	TBD
		408.9	TOTAL	\$ 2,754,854	\$ 5,968,851		

Assumptions for Contribution Margin Analysis

- Based on industry standard- service line groupings (inpatients)
- Outpatient services based on location of services
- Analysis includes 9 months of data (Oct 2017- June 2018)- revenues and expenses
- Revenues include supplemental funding allocations.

Inpatient Services- Margin

- Represented below are inpatient services that had highest contribution margin loss for the nine months.

9 Months FY18 Data	Cases	Total Contribution	Total Contbn_Case	Program Notes
Psychiatry	3,385	(9,716,698)	(\$2,870)	Services provided for Inpatients primarily at JGP and other AHS IP locations
Medicine	6,789	(9,530,452)	(\$1,404)	Inpatient Services provided across all three Acute care locations
Womens Health	1,656	(8,101,242)	(\$4,892)	Primarily provided at HGH and includes Inpatient Obstetrics and Gynecology
Cardiovascular	1,701	(3,183,047)	(\$1,871)	Provided at all acute locations
Neonatology/Normal Newborn	1,361	(3,101,104)	(\$2,278)	Only provided at Highland
Cancer	575	(1,413,553)	(\$2,460)	Provided at all acute locations
Total	15,468	(35,046,096)		
Annualized Estimates	20624	\$ (46,728,128)		

Outpatient Services- Margin

- Represented below are the outpatient programs that had largest contribution margin loss for the nine months.

9 Months FY18 Data	Visits	Total Contribution	Total Contbn / Visit
JGP Psych ER Service - JGP Psych ER Service	10,424	(6,577,171)	(\$631)
HGH IOP Day Care Cl - HGH IOP Day Care Cl	6,917	(4,265,437)	(\$617)
EWC Womens Svcs - EWC Womens Svcs	10,675	(4,035,755)	(\$378)
HWC Adult Gen Med - HWC Adult Gen Med	20,611	(3,538,408)	(\$172)
HGH Same Day Surgery - HGH Same Day Surgery	2,441	(3,271,725)	(\$1,340)
NWC Adult Gen Med - NWC Adult Gen Med	16,377	(3,107,732)	(\$190)
HGH OB Clinic - HGH OB Clinic	10,348	(2,993,593)	(\$289)
OP Alameda Surgery	1,873	(2,858,919)	(\$1,526)
HGH Dental - HGH Dental	8,643	(2,686,693)	(\$311)
EWC Adult Gen Med - EWC Adult Gen Med	22,636	(2,584,531)	(\$114)
EWC Pediatrics - EWC Pediatrics	12,355	(2,297,817)	(\$186)
HGH Adult Immunology - HGH Adult Immunology	3,419	(2,207,936)	(\$646)
HGH MCH - HGH Maternal Child Health Clinic	2,037	(2,178,039)	(\$1,069)
HWC Womens Svcs - HWC Womens Svcs	4,893	(2,009,236)	(\$411)
Total	133,649	(44,612,992)	
Annualized estimated losses		(59,483,989)	

Next Steps- for Continued Evaluation

- Criteria for continued evaluation of program continuance:

Evaluation Criteria/Approach for program continuance	Additional Considerations for Analysis
1) Further evaluation of revenues, contracts and expenses provide opportunity within AHS for program improvement in margin (without any adverse impact on quality, or experience).	<ul style="list-style-type: none"> Continued deeper dives to challenge financial opportunities to enable improvements in current operations Program could be supported by additional funding sources (grants)
2) Is the program a regulatory requirement?	<ul style="list-style-type: none"> Are there alternative delivery methods?
3) There are other community providers for program.	<ul style="list-style-type: none"> Further evaluate alternate delivery options in the county
4) Program exclusively serves uninsured.	<ul style="list-style-type: none"> Further evaluate alternate delivery options in the county
5) Program is stand alone service and does not have impact on other operations at AHS.	

Current FY20 Budget Update (5/3/2019)

LineDescription	ACTUAL2018	BUDGET2019	PROJ2019	BUDGET2020
REVENUES -----				
Total IP Charges	1,924,890,976	1,955,988,146	2,000,223,224	2,006,895,680
Total OP Charges	1,082,784,986	1,111,800,144	1,093,088,570	1,104,915,359
Total MD Charges	294,840,846	315,683,714	332,997,684	332,645,656
Total Gross Patient Charges	3,302,516,808	3,383,472,004	3,426,309,478	3,444,456,695
Capitation Revenue	33,677,851	33,633,811	38,082,061	38,196,347
Contractual Allowances	2,702,125,727	2,754,769,985	2,832,858,953	2,841,676,773
Total Net Patient Revenue	634,068,931	662,335,830	631,532,585	640,976,269
Other Revenues	374,127,765	396,029,106	403,573,097	369,954,741
Total Revenue - All Sources	1,008,196,696	1,058,364,936	1,035,105,682	1,010,931,010
EXPENSES -----				
Total Salaries Wages and Overtime	486,401,872	499,293,757	489,770,497	545,078,251
Employee Benefits	171,227,296	177,711,365	173,579,984	186,440,636
Registry and Temp Services	28,226,066	31,412,893	24,090,113	17,364,758
Total Labor Expenses	685,855,234	708,418,015	687,440,594	748,883,645
Non-Labor Expenses	323,340,366	318,026,197	312,126,668	332,502,407
Total Operating Expenses	1,009,195,600	1,026,444,212	999,567,262	1,081,386,052
Operating Income	(998,904)	31,920,723	35,538,420	(70,455,042)
GASB 68	(20,417,602)	(49,789,992)	(37,118,883)	(36,776,311)
Interest Expense ()	(1,821,085)	(914,813)	(886,764)	(1,865,170)
Interest Income	804,734	560,212	(12,370)	-
Non-Operating Income	336,998	316,545	(4,150,681)	(3,418,436)
Total Income	(22,095,858)	(17,907,325)	(6,630,277)	(112,514,959)
Operating Margin %	-0.1%	3.0%	3.4%	-7.0%
EBIDA %	1.6%	4.6%	4.5%	-5.3%
Total Paid FTE	4,371	4,456	4,351	4,479
EBIDA Goal @ 1.47%				14,860,686
EBIDA at Current				(49,781,566)
Gap from EBIDA Goal				(64,642,251)

NEXT STEPS

- Administrative meeting (AHS/County Administration) scheduled May 22, 2019 to review and discuss a plan to mitigate budget challenges.
- Round 2 of budget review with Operational and Clinical leaders scheduled.
- AHS Management will bring back list of options with financial and other impact quantified to seeks Trustees' guidance on moving forward with outlined options.
- AHS Management will bring forward the updated budget draft to Finance Committee on June 13, 2019.
- Develop a framework to review and discuss allocation of contractals. (Post budget preparation)