

Alameda Health System

Fiscal 2021 Operating and Capital Budget Status Report

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Agenda

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Fiscal 2021 Budget Goals and Principles

STRATEGIC AND LONG TERM FOCUS

Focus on stabilization after SAPPHIRE implementation and continued operational improvement. CY2019 actual will serve as the baseline budget with selected strategic programs layered over baseline.

SUSTAINABLE

Generate sufficient revenue to cover AHS operating cost and contribute to capital needs. Cash flow from operation is not expected to be sufficient to pay prior years recoupments from supplemental programs.

INCLUSIVE & ACCOUNTABILITY

Inclusive of all areas of AHS. Staff, physicians, Board and community stakeholders provided input to drive an accountable and committed budget.

BALANCED

Achieve balanced direction across the pillars based on historical trends, ensuring resources necessary to sustain highest quality care to meet community needs for the population of Alameda County.

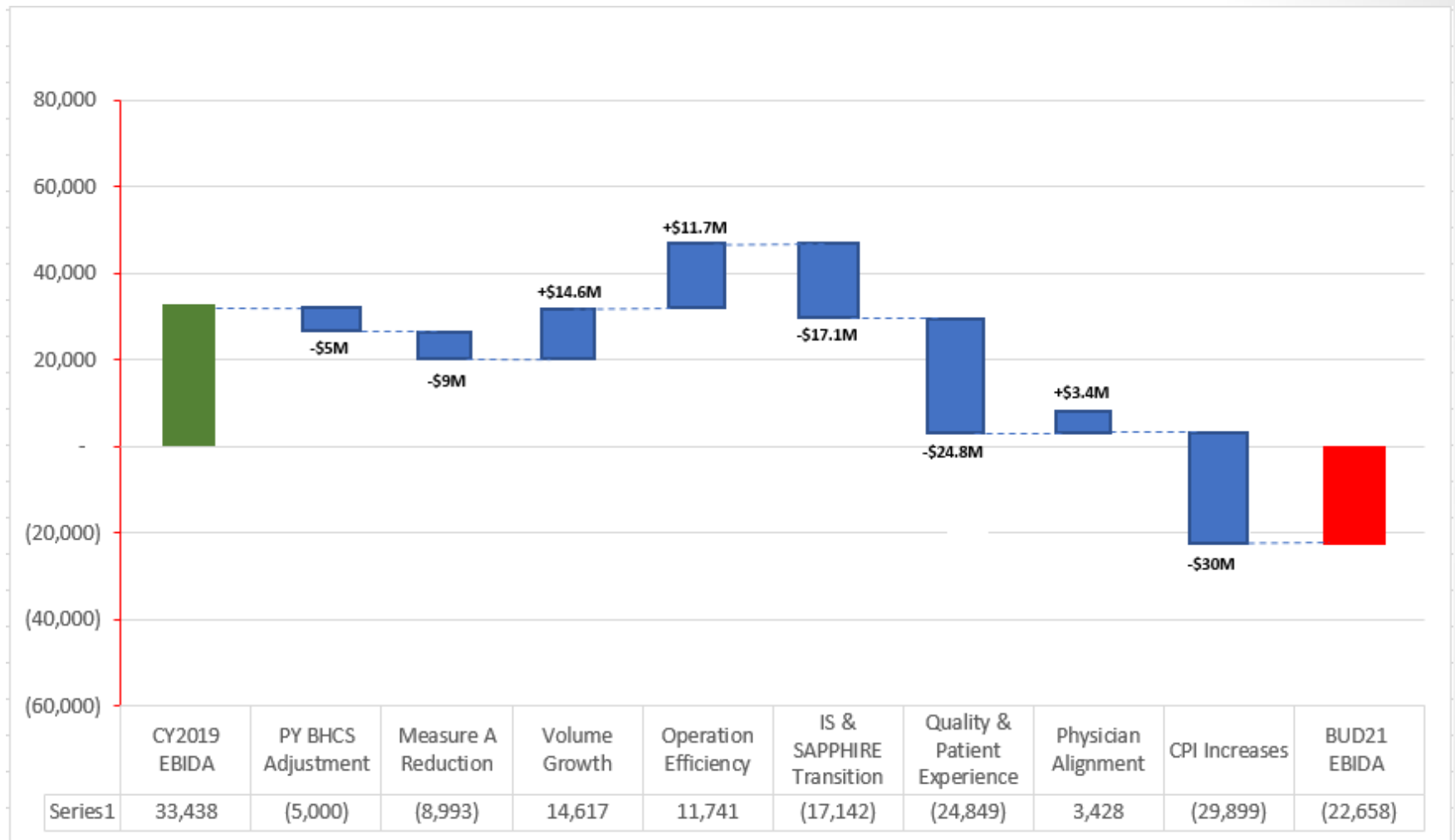
CONTINUOUS IMPROVEMENT

Leverage the GPO, benchmarking analytical tools (clinical and operational) and the new SAPPHIRE system to continue our clinical, operational and revenue cycle improvement.

Budget 2021 Baseline Budget Status Report

	ACTUAL2019	CALENDAR YEAR 2019	PROJECTED 2020	BUDGET2021	CY2019 to Budget21 Variance
<i>Operating Revenue -----</i>					
Net Patient Revenue	574,123	547,914		576,649	28,735
Capitation Revenue	38,774	40,558		41,943	1,385
Other Revenues	28,471	30,017		29,929	(88)
Supplemental Revenue	412,039	433,518		427,881	(5,637)
Total Revenue - All Sources	1,053,407	1,052,007		1,076,402	24,395
<i>Operating Expenses -----</i>					
Labor Expenses	757,095	772,936		889,238	(116,302)
Contracted Physician Services	92,419	90,608		39,425	51,183
Purchased Services	74,638	77,727		81,042	(3,315)
Materials and Supplies	87,879	87,583		94,411	(6,829)
Facilities	31,151	32,785		35,562	(2,778)
Depreciation	15,116	15,119		27,459	(12,339)
General and Administration	18,974	20,072		22,583	(2,510)
Total Operating Expenses	1,077,272	1,096,830		1,189,719	(92,889)
Operating Income (Loss)	(23,865)	(44,823)		(113,317)	(68,494)
<i>Non-Operating Activity</i>					
Interest Income (Expense)	(2,589)	(3,581)		(3,581)	-
Other nonoperating Revenue	(4,151)	268		268	-
Net Income (Loss)	(30,606)	(48,137)		(116,631)	(68,494)
EBIDA Adjustments					
Interest Income (Expense)	(2,589)	(3,581)		(3,581)	-
Depreciation	(15,116)	(15,119)		(27,459)	(12,339)
Amortization (GASB-68, GASB-75)	(61,003)	(62,928)		(62,928)	-
Total EBIDA Adjustments	(78,709)	(81,629)		(93,968)	(12,339)
EBIDA	48,103	33,492		(22,662)	(56,154)
<i>Operating Margin</i>					
Operating Margin	-2.3%	-4.3%		-10.5%	-6.3%
EBIDA %	4.6%	3.2%		-2.1%	-5.3%

FY2021 Budget Key Drivers & EBIDA Margin Impact



AHS Pillars

Access & Network

- Volume growth anticipated at \$14.6M favorable EBIDA margin.
 - Re-opening of 15 Med-Surg beds at SLH.
 - 6 Sub-Acute beds convert to SNF beds at FMT in the 2nd quarter.
 - Restore Ambulatory Clinic visits post SAPPHIRE go-live.
- The East Bay Medical Group has been established. AHP and Oakcare contracted physicians will come together to improve the coordination of care, quality and patient access. This results a net saving of \$3.4M.
- Reduction of contracted physician to further integrate care. Examples include PES Psychiatrists, ED Directors and Anesthesiology.
- Shifting Oral Maxillofacial Surgery (OMFS) contract from UOP to UCSF for better patient care.

AHS Pillars

Quality and Patient Experience

- Investment in additional staff and consultant in preparing the organization for various surveys and meeting regulatory compliance.
- Investment in additional staffing in EVS and Food Services to ensure the cleanliness of the environment and improve the patient experience.
- Boosting staffing to support our Level I Trauma designation and Central Sterilization to address TJC concerns. Increase staffing for Medical Clerk on the night shift at HGH Med-Surg units.
- Increasing staffing at John George PES and inpatient nursing units to improvement patient safety and quality patient care.
- Investment in SAPPHIRE electronic medical record to improve patient quality and experience, as well as improved reporting for quality and pay for performance metrics. FY20 is the transition year and total incremental impact will be provided as part of the final budget package.
- Investment in Care Management to improve throughput.

AHS Pillars

Continuous improvement effort to gain efficiency and offset wage, supplies and purchased services growth (CPI).

Sustainability

- Rate increases from payers including Medicare, Commercial Payers.
- On-going efficiency and labor standard adjustments
 - Reduce billing and collection fees for the legacy systems,
 - Converting coders contract to Vizient agreement
 - Monitor and manage daily staffing accordingly to staffing guideline to achieve labor standards and manage overtime pay.
- Supply inflations, purchased clinical services price increases, and utility cost increases were included at vendor recommended CPI.

Workforce

- Salary increases for staff and step adjustments is budgeted between 2.0% to 3.5%
- Continue our existing benefit package
- Investment in HR recruitment to reduce management consultants by aggressively recruiting for management leaders in various patient care units.
 - Eliminating management consultants in Imaging, Clinical Laboratory, Nursing, Case Management areas.
- Anticipating a lower Registry expense after SAPPHIRE implementation and intend to hire staff to replace registry used.

Ideas for Vetting

- Reduction of Premium Pay to align with benchmarks (1% reduction = \$2.5M)
- Supply Chain – GPO Pricing
- Renegotiate Purchased Service Contracts
- Medi-Care LOS Management (\$1500/day)
- Revenue Cycle and Charge Capture
- QIP Reporting
- Improve HPAC financial performance (OMS, LOS, Rate)
- JGP – Reduce denials, PES LOS
- Increase patient volume at SLH/AHD
- IOP financial performance
- Improve SNF Profitability (Expanding SNF beds)
- Restructure DTO (Director and above) / PTO Management (+\$1.5M-\$6.2M)
- Introduce Administrative Days (\$209K/Day)
- Infusion Services Expansion
- Orthopedic Surgery Expansion
- Vizient Labor Optimization (+\$2-5M)
- Eliminate internal Food Expense
- Cardiology programs – more invasive cardiology procedures
- Payor negotiation strategy – Medi-Cal Managed Care; Commercial Payors
- Strategy to enhance programs / Facility profitability
- No COLA increase (~\$27M)
- Benefit restructure

AHS Financial Health at Risk

- The Covid-19 pandemic magnitude and scope are widely unknown and yet to be determined. Applied for Covid-19 additional new funding.
- TJC return visit & funding required to meet regulatory requirements are unknown.
- Supplemental Revenue funding is significant (50%) and the timing and amounts are largely unknown and subject to change.
- Deferred maintenance and lack of funding has created a large need for capital (\$45M for FY21)
 - Equipment failures and facility emergencies
 - Financial infrastructure – time keeping, cost accounting, financial reporting and business analytics
 - Investment in clinical programs to support Trauma designation, residency programs and support our ability to provide the full continuum of care in the community
- Measure A was included at FY20 budget (\$117.7M). The Covid 19 and “shelter in place” order has had a significant negative impact on the amount of sales revenue.
- Failure to comply with the NNB, credit limit and overall governance structure with the Alameda County

AHS Cash Flow Draft

(Stated in thousands)	ACTUAL 2018	ACTUAL 2019	PROJECTION 2020	BUDGET 2021
EBIDA - Cash From Operations	\$ 15,862	\$ 48,092	\$ 30,000	\$ (22,662)
EBIDA Margin	1.6%	4.6%	2.8%	-2.1%
Other Timing	(27,070)	45,744	10,417	TBA
Supplemental Payments Timing	97,483	(61,000)	(30,683)	(64,611)
Cash Flow	86,275	32,836	9,734	(87,273)
EPIC	(6,500)	(28,083)	(25,819)	
EPIC Financing	16,160	-	12,704	-
EPIC Financing Payment	(1,383)	(2,400)	(2,417)	(3,108)
SLH Acute Rehab	(4,267)	(19,105)	(2,624)	
Alameda Hospital Seismic Project		(1,656)	(6,857)	(10,594)
Other Committed Capital	(44,138)	3,359	(4,700)	(9,872)
Commitment	(40,128)	(47,885)	(29,713)	(23,574)
Capital Requests	-	-	-	(43,434)
AHSF Support	2,048	4,650	400	2,500
Other Funding Source (e.g. Jaber)		74	77	
Kaiser MRI (pass thru AHSF)		4,533	1,531	
Kaiser Foundation Support - EPIC	9,000	7,500	2,500	
Net Capital Requests	11,048	16,757	4,508	(40,934)
Old Waivers		-	-	(75,100)
Physician SPA (1)		-	-	-
Medical Cost Settlement		-	-	(33,000)
FQHC Settlement		-	-	(44,000)
Total Prior Year Re-coupmnt	-	-	-	(152,100)
POB Debt Retirement	(13,848)	(12,135)	(11,612)	(7,156)
Capital Cost Transfer to County (2)		(4,419)	-	(9,000)
Capital Cost Transfer from County		-	-	13,419
Capital Reserve Fund (pmt to County)	-	(7,000)	(7,000)	(7,000)
Capital Reserve Fund (pmt from County)		-	-	14,000
Total County Transactions	(13,848)	(23,554)	(18,612)	4,263
Cash Surplus/(Deficit)	43,347	(21,846)	(34,083)	(299,618)
Net Negative Balance	(62,483)	(84,329)	(118,412)	(418,029)
Scheduled NNB Limit	(135,000)	(130,000)	(125,000)	(120,000)
Excess/(Short) of NNB	72,517	45,671	6,588	(298,029)

(1) Physician SPA Delay due to claim reconciliation with State, estimated \$30M move to FY2022;

(2) Capital cost transfer delay until cost report settlement complete.

FY2021 CAPEX Essential Items by Category

FY 21				
Row Labels	Equipment	Facility	IT	Grand Total
Equipment / Replacement Items			153,975	153,975
Facilities / Infrastructure		11,536,906		11,536,906
New Strategic / ROI			7,360,326	7,360,326
Other			3,634,866	3,634,866
Compliance / Patient Safety / Regulatory	5,259,418	12,897,438	2,591,000	20,747,856
Grand Total	5,259,418	24,434,344	13,740,167	43,433,929

- ❖ Of the \$45M total requested, \$43M is considered essential and high risk; particularly in Infrastructure due to lack of funding in prior years.

The FY2021 CAPEX Proposed List only limited to Priority 1 and 2 (Essential Items)

Examples of FY21 CAPEX Essential Items

Facility CAPEX = \$24.4M

- Alameda Hospital Pharmacy Hood Replacement
- K-building HVAC updates
- Park Bridge Nurse Call System
- Fairmont Hospital B Building SNF update

IT CAPEX – Must Do & High = \$13.7 Mill

- Network Refresh – replace equipment EOL (end of life) and no longer supported
- Window 7 retirement – move to Win 10 (security issues & EOL)
- Kronos – necessary for payroll compliance & significant ROI
- Epic Behavioral Health Phase 2 – Operational efficiency & compliance
- Epic Rover – current clinician phones are EOL & failing

Equipment CAPEX = \$5.3M

- Nuclear camera replacement at San Leandro Hospital
- Replacement of CT Scanner at San Leandro Hospital
- Full Project with Sterilizer, Sterrad, and Washer

FY2021-2025 CAPEX Request

CAPEX Needs for the next 5 Fiscal Years

Row Labels	FY 21	FY 22	FY 23	FY 24	FY 25	5-Year Total
Equipment / Replacement Items	1,651,375	2,746,924	11,289,604	8,225,814		23,913,718
Facilities / Infrastructure	11,596,906	8,964,615	5,466,345			26,027,866
New Strategic / ROI	7,360,326	3,542,816	5,887,572	3,474,148	7,375,682	27,640,544
Other	3,634,866	5,516,032	5,416,032	5,416,032	2,708,016	22,690,978
Compliance / Patient Safety / Regulatory	20,991,056	11,030,237	1,095,830	23,603	722,900	33,863,627
Grand Total	45,234,529	31,800,624	29,155,383	17,139,598	10,806,598	134,136,732

CAPEX Needs By Campus for the next 5 Fiscal Years

CAPEX	FY 21	FY 22	FY 23	FY 24	FY 25	5-Year Total
<input checked="" type="checkbox"/> Equipment / Replacement Items	1,651,375	2,746,924	11,289,604	8,225,814		23,913,718
Support Services	1,651,375	2,746,924	11,289,604	8,225,814		23,913,718
<input checked="" type="checkbox"/> Facilities / Infrastructure	11,596,906	8,964,615	5,466,345			26,027,866
Alameda Hospital	771,446	2,103,855	2,770,436			5,645,737
Eastmont Clinic	60,000					60,000
Fairmont Hospital	8,412,460	1,840,400	1,095,500			11,348,360
Fairmont Hospital		300,000				300,000
Highland Hospital	2,353,000	4,284,360	250,409			6,887,769
John George Hospital		220,000				220,000
San Leandro Hospital		216,000	1,350,000			1,566,000
<input checked="" type="checkbox"/> New Strategic / ROI	7,360,326	3,542,816	5,887,572	3,474,148	7,375,682	27,640,544
Support Services	7,360,326	3,542,816	5,887,572	3,474,148	7,375,682	27,640,544
<input checked="" type="checkbox"/> Other	3,634,866	5,516,032	5,416,032	5,416,032	2,708,016	22,690,978
Support Services	3,634,866	5,516,032	5,416,032	5,416,032	2,708,016	22,690,978
<input checked="" type="checkbox"/> Compliance / Patient Safety / Regulatory	20,991,056	11,030,237	1,095,830	23,603	722,900	33,863,627
AHS	300,000	300,000	300,000			900,000
Alameda Hospital	8,294,333	5,720,741				14,015,074
Fairmont Hospital	1,158,200				722,900	1,881,100
Highland Hospital	3,600,029	2,065,000				5,665,029
John George Hospital	1,435,000	650,000				2,085,000
San Leandro Hospital	3,369,294	2,000,000	750,000			6,119,294
Support Services	2,834,200	294,496	45,830	23,603		3,198,130
Grand Total	45,234,529	31,800,624	29,155,383	17,139,598	10,806,598	134,136,732

Current Budget Focus and Next Steps

- Complete the preliminary FY21 budget;
- Update budget once more information is available for “high risk variables;
- Finalize the FY21 budget in the Fall;
- On-going analysis are being performed on selected cost saving opportunities;
- Wipfli report and next step to stabilize AHS