



Alameda Health System

Financial Reporting – Phase Two Progress

Board Retreat
4.30.2021

WIPFLI

Project Objectives for Phase Two

- **Financial Reporting by Entity:** To develop a process for reporting meaningful financial activity **by facility** each month.
- **Special Requests:**
 - **Alameda Hospital Analysis:** To develop a profitability analysis of the Alameda Hospital Emergency Department
 - **John George Analysis:** To develop an analysis of John George to understand the operating loss and what overhead is fixed – would not be eliminated without John George
 - **Intensive Outpatient Psychiatry Program:** To develop a profitability analysis of AHS's Intensive Outpatient Psychiatry Program and understand potential future state in a "Wellness Model".

Financial Reporting

- Financial Reporting by Entity

- Support monthly reporting of financial activity *by facility*. This requires allocations of the following:

- ✓ Patient charges (done as part of EPIC reporting)
- ✓ Estimated patient reimbursement (Wipfli model)
- ✓ Supplemental reimbursement (Wipfli model)
- ✓ Professional charges and reimbursement (Wipfli model)
- ✓ Direct expenses (done as part of Lawson G/L process)
- ✓ Facility specific shared service expenses (done as part of Lawson G/L process)
- ✓ AHS shared service expense (Wipfli model)
- ✓ Professional expenses (Wipfli model)

Financial Reporting – new updated model 3.2021

Alameda Health System 2021 Budget by Facility with System Level Allocations										
		ALAMEDA	FAIRMONT	FQ CLINIC	HIGHLAND	JGP - JOHN GEORGE	Professional Services	SAN LEANDRO	SYSTEM OVERHEAD	Combined
Operating Revenue	1	-	-	-	-	-	-	-	-	-
Patient revenue	2	469,968,528	156,410,786	163,529,979	2,044,253,389	276,010,626	-	477,036,177	-	3,587,209,486
Deductions	3	393,601,180	120,739,304	135,396,725	1,731,060,920	227,126,890	0	383,866,431	-	2,991,791,450
Net patient service revenue	4	76,367,348	35,671,482	28,133,254	313,192,469	48,883,736	(0)	93,169,746	-	595,418,036
Collection %		16%	23%	17%	15%	18%		20%		17%
Capitation revenue	5	1,386,195	46,086	7,400,000	33,752,428	20,329	-	2,240,832	-	44,845,871
Other government programs	6	18,735,218	9,789,610	415,584	182,938,735	13,270	773,371	23,516,260	(2)	236,182,047
Other operating revenues	7	216,709	108,161	1,048,106	33,268,762	273,462	105,014	62,980	-	35,083,193
AB85 Revenue	AB85	4,602,567	-	-	28,320,078	-	-	10,077,355	-	43,000,000
Total operating revenue	8	101,308,037	45,615,339	36,996,944	591,472,473	49,190,797	878,384	129,067,174	(2)	954,529,146
Operating Expense	10	-	-	-	-	-	-	-	-	-
Labor Costs Plus GASB 68 and GASB 75	15	77,933,543	35,486,120	38,368,202	283,728,744	59,337,561	96,198,076	67,559,435	131,154,572	789,766,252
Physician contract services	16	36,000	-	-	3,414,707	6,032,460	27,600,431	-	-	37,083,598
Purchased services	17	5,425,141	2,469,017	305,276	14,916,665	1,059,285	589,464	2,953,913	51,364,460	79,083,220
Materials and supplies	18	11,176,939	4,031,499	1,813,574	62,714,767	1,473,433	24,902	9,360,049	2,683,153	93,278,318
Facilities	19	5,225,588	1,567,431	2,418,507	8,552,043	1,591,378	0	2,364,210	13,488,857	35,208,014
Depreciation	20	1,740,265	217,725	648,604	2,175,651	128,316	-	1,644,460	26,160,162	32,715,184
General and administrative	21	349,871	46,803	52,392	1,736,120	40,500	2,526,249	174,652	16,781,282	21,707,870
Total operating expense	22	101,887,346	43,818,594	43,606,555	377,238,698	69,662,934	126,939,123	84,056,719	241,632,487	1,088,842,457
Operating income (loss)	23	(579,309)	1,796,745	(6,609,611)	214,233,775	(20,472,137)	(126,060,739)	45,010,455	(241,632,489)	(134,313,310)
Interest income (expense)	28	3,727	-	-	-	-	5,801	12,379	(3,603,206)	(3,581,299)
Other non-operating revenue	29	128,655	-	-	-	-	-	-	139,024	267,680
Net income (loss) before allocations	31	(446,927)	1,796,745	(6,609,611)	214,233,775	(20,472,137)	(126,054,937)	45,022,834	(245,096,672)	(137,626,930)
System Overhead Allocation	SA	33,306,863	15,231,233	10,634,699	133,392,667	21,073,852	-	31,457,357	(245,096,672)	-
Physician Allocation	PA	14,321,699	-	1,855,143	93,672,148	49,965	(126,054,937)	16,155,983	-	(0)
Prior Period Settlement	PP	-	-	-	-	16,000,000	-	-	-	16,000,000
Measure A Revenue allocation	MA	15,341,798	10,805,518	10,364,554	58,782,041	10,496,984	-	11,907,951	-	117,698,845
Net income (loss) After Allocations	NI	(32,733,691)	(2,628,971)	(8,734,900)	45,951,001	(15,098,970)	(0)	9,317,446	0	(3,928,085)

Financial Reporting

- **Financial Reporting by Entity – Wipfli Model**

- Estimated patient reimbursement – allocations developed based on historical collection percentages by facility. Accounts receivable by entity based on income statement collection estimates.
- Supplemental reimbursement – allocations developed based on estimated benefit/value by facility. Some are directly assigned to each facility. Measure A based on facility expenses.
- Professional charges and reimbursement – allocations based on location of service through Epic reporting.
- Professional expenses – allocations based on budgeted staffing by facility
- AHS shared service expense – allocations based on a variety of statistics such as square feet, patient meals etc. (see next page for details)

Allocations based on “best practice” methods including published Medicare regulatory guidelines etc.

Financial Reporting

- Supplemental Revenue Allocation Methods:

Supplemental Revenue	Allocation Method	2021 Budget
AB915 CERT PUBLIC EXPENDITURE	Direct Assignment by Facility	9,000,000
AHD PARCEL TAX REVENUE	Direct Assignment to Alameda Hospital	4,982,666
CAPITATION (Alameda Alliance)	Allocation by Medi-Cal Managed Care	7,400,000
CLINICAL RESEARCH REVENUE	Direct Assignment to Highland Hospital	49,871
COUNTY BHCS FUNDING	Direct Assignment to John George	16,000,000
COUNTY EMS FUNDING	Direct Assignment to Highland Hospital	395,000
COUNTY HPAC	Allocation by HPAC Revenue	80,445,871
COUNTY TRAUMA FUNDING	Direct Assignment to Highland Hospital	5,266,383
DHCS PHYSICIANS SPA 05-023 PNPP	Allocation based on P14 Workbooks	3,600,000
DISPOSAL OF PP+E	Direct Assignment to Highland Hospital	14,000
EPP-Enhanced Payment Progra	Allocation based on P14 Workbooks	43,000,000
GRANT MAA PROGRAM	Allocation based on Participants	4,000,000
GRANT PROGRAM REVENUE	Direct Assignment to Highland Hospital	9,654,993

Financial Reporting

- Supplemental Revenue Allocation Methods: (continued)

Supplemental Revenue	Allocation Method	2021 Budget
INTEREST INC REALIZED COUNTY	Direct Assignment by Facility	540,356
INTEREST INCOME REALIZED	Direct Assignment by Facility	168,140
INTEREST INCOME UNREALIZED	Direct Assignment by Facility	(864,686)
MEASURE A/AA	Allocation based on expenses	117,698,843
MEDI-CAL GME(GRADUATE MEDICAL EDUCATION	Direct Assignment to Highland Hospital	7,000,000
MEDI-CAL MGD CARE SUPPLEMENTAL	Allocation based on P14 Workbooks	45,590,000
MISC OTHER OPERATING REVENUE	Direct Assignment by Facility	19,902,390
PHYSICIAN COLLECTIONS (cont)	Direct Assignment by Facility	227,746
QIP-QUALITY IMPROVEMENT PROGRAM	Allocation based on P14 Workbooks	35,758,000
RESIDENT/INTERN REIMBURSEMENT	Direct Assignment to Highland Hospital	1,248,193
SB239 HOSPITAL FEE (MGD CARE)	Allocation based on HPAC & Uninsured	3,700,000
SECTION 1115 SPCP WAIVER	Allocation based on GPP Points	66,490,000
SPA#17-030 Prop#56 (Tobacco Tax Settlement)	Direct Assignment to Highland Hospital	2,000,000
SPACE RENTAL INCOME	Direct Assignment by Facility	253,680
STATE SNF SUPPLEMENTAL	Direct Assignment by Facility	9,400,000

Financial Reporting

- Shared Expense Allocation Methods:

Overhead Expense	Allocation Method	2021 Budget
System IS Ancillary	Ancillary Revenue	4,980,051
Admin & General	Direct Costs	56,920,019
Amb Homeless	Direct Assignment	697,687
Security	Invoiced Costs	11,528,050
System IS IP	IP Revenue	5,481,581
Nursing Admin	Nursing Salaries	94,565
System IS Ambulatory	OP Revenue	947,602
Human Resources	Paid FTEs	14,343,638
Accounting, System IT, Quality	Patient Revenue	105,201,533
Physician Contracting	Physician Schedule	433,777
Medical Staff/Phys Services	Physician Fees	2,598,430
Capital, Plant, Maintenance	Square Feet	8,094,587
Materials & Purchasing	Supply Costs	1,755,771

Financial Reporting

- **Financial Reporting by Entity – Next Steps**

- Create an entity-based budget for FY 2022 using the allocation methods as developed
- Develop process for directly assigning:
 - Certain system-based expenses (security, bed rental etc.)
 - Professional contracted services (for ED physicians etc.)
- Incorporate the allocation process into the FY 2022 financial reporting process
- Financial statements will be created at the consolidated level and at the entity-based level for FY 2022
- Comparative financial statements will be reporting to the Board of Trustees at the consolidated level for FY 2022. In FY 2023, comparable financial statements will be available at the entity level as well.

Financial Reporting

■ Financial Reporting by Entity – Next Steps

- The development of entity based financial statements is “foundational information” required to further understand financial information at the service line level within each entity.
 - Next phase of work will be to further identify revenue and expenses at the service line level within each facility (acute, ED, long term care etc.)
 - Data can also be used to understand revenue and expenses based on diagnosis related service line such as cardiac, respiratory, neurology and other services lines within the system
- This type of service line information will support AHS’s strategic planning initiatives to make decisions about what services should be provided in what locations to optimize the value of health care resources invested in the community.