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FISCAL YEAR 2014 – SIX MONTHS

personnel. Overall, employee salary and wages are budgeted to remain constant while temporary agency expense is budgeted to decrease by \$112,000.

The staffing budget and employee salary budget allow for filling open needed positions at regular wage rates. As this occurs, temporary agency utilization will be reduced. The salary and wages includes positions that have transitioned from consulting personnel to employed staff as well as positions utilizing temporary staff that now have been filled by permanent employees. The slightly lower budgeted Acute ADC has also reduced projected FTE's and nurse staffing expense in the FY 2014 budget.

Temporary agency expense was high in FY 2013 and is projected to be \$1,112,000 for the six month period ending FY 2013. The FY 2013 increased utilization was attributable to significant spikes in acute census during the winter months but much is associated with covering for open positions in departments that traditionally have not used temporary agency labor, including the addition of Waters Edge. The FY 2014 budget provides for \$1.0 million in temporary agency expense, a reduction of \$112,000. Cost centers where the FY 2014 decrease will be generated are the following:

Waters Edge	\$39,000
Laboratory	\$37,000
Acute Nursing Aggregate	\$29,000
Rehab Services	\$37,000
General Accounting	\$13,000

The above decreases are off-set in part by small increases in temporary agency expense in surgery, emergency and respiratory therapy, based on prior experience with this departments

**Staffing**

Total Full Time Equivalentents (FTE's) for the six months of FY 2014 are budgeted at 547.9, a decrease of 6.1 FTE's from the January through June 2013 period.

The FY 2014 budget proposal includes a couple of new positions as well as bringing positions back in-house and allowing for various open positions, many of which are short hour/on-call positions. Some of these positions, indicated with an asterisk below, have recently been hired and have a smaller impact in the FY 2013 six month comparison. Overall, staffing levels are budgeted to remain consistent with where we have been operating the past couple of months.

- HIM Director/Privacy Officer \* 1.0 FTE
- Utilization Manager\* 1.0 FTE
- Staffing Coordinator\* 1.0 FTE
- General Surgeon 1.0 FTE
- Rehab Services 1.0 FTE
- Outpatient Clinics 0.5 FTE



PROPOSED BUDGET NARRATIVE  
FISCAL YEAR 2014 – SIX MONTHS

These increases are off-set by decreases in the following areas

- Acute Nursing Units (with lower ADC) (7.0) FTE's
- TAW program elimination (2.0) FTE's
- Subacute / South Shore (2.0) FTE's

Premium pay (overtime and double time), were also very high in six months of FY 2013 compared to prior year. The last six months of FY 2013 is projected to be about \$500,000 higher than the same six months in FY 2012. Although some of this was associated with short term staffing needs to cover spikes in acute census during the winter months, the addition of Waters Edge and to cover sick calls, etc., we do **not** believe this premium pay utilization will continue in FY 2014 at the same level. We are monitoring this much closer and are increasing the number of on-call nursing personnel in order to have more resources available to fill open shifts versus paying staff to work overtime or double-time. Better control of premium pay will be essential in keeping salary dollars in line with the FY 2014 budget. The budget includes a \$180,000 reduction in premium pay, primarily in the acute and sub-acute nursing units, during the next six months

**Benefits**

We have budgeted for the employer portion of FICA, health insurance, pension and the employee assistance program. Benefits are projected to decrease by \$111,000; primarily due to more normalized health claims and increase usage of vacation/PTO which will reduce the PTO expense accrual.

Total benefits expense is approximately 30.0% of total salaries, which is just lower than the six month comparison period of 30.4%. The hospital is self insured for employee health benefits and although there are stop loss limits for cumulative large claims, there is fluctuation in claim experience from year to year that make budget estimation challenging. State unemployment insurance expense (EDD) was reclassified to benefits in the six months FY 2014 totaling \$120,000. Employee vacation/PTO liability accrual was higher in FY 2013 than prior fiscal years, in part due to the many new employees that joined the organization last year and their desire to build up PTO balances. The FY 2014 budget assumes a concerted effort to encourage employees to take more PTO/ vacation days during the next 3 to 4 month followed by more normalized usage of vacation/PTO thereafter. This is expected to decrease the net PTO / Vacation expense accrual by approximately \$200,000 over the next six months and also reduce the short term liability on the balance sheet associated with this accrual.

**Non-Labor Expenses**

The following are the assumptions for the various categories of the operating budget non-labor expense categories:

**Professional Fees**

Professional fees are increasing by approximately \$300,000 overall as a result of the following;

PROPOSED BUDGET NARRATIVE  
FISCAL YEAR 2014 – SIX MONTHS

- Legal and consulting fees in Administration
- Increase to the hospitalist contract and the addition of a Physician's Assistant
- Lower wound care management fee as a result of lower volume and revenue than experienced in the prior six months
- Consulting fee to assist with purchasing group contract conversion
- Reclassification of Dr. Celada and Dr. Dutaret Emergency on-call pay from Primary Care Salary expense to Emergency professional fees
- Reduction in HIM management fees due to hiring an in-house manager

**Supplies**

Total medical supply costs are projected to decrease by \$95,000 over current year projections. Although we do anticipate increases as a result of the increase in budgeted surgery volumes associated with the orthopedic and general surgery programs, these will be mitigated by lower acute inpatient census and wound care volume projections. In addition, we have begun the process of changing the Group Purchasing Organization (GPO) that the hospital utilizes for vendor pricing discounts for medical and pharmaceutical purchases. As part of this change, we will be consolidating both pharmaceutical and medical supply purchases under one GPO. We are working with a consultant who will be assisting us with this initiative which will conservatively net approximately \$125,000 in the six month budget in supply cost savings. We began the initial implementation of this program in June and the process will be completed by end of August 2013. We will then be reviewing other supply and purchased service contracts to see if there is opportunity for additional cost savings.

**Purchased Services**

Purchased services expenses are projected to decrease by \$76,000 some of the primarily changes include the following:

- Additional MRI trailer service day to support increased utilization from the orthopedic program and other community physicians of approximately \$35,000. This additional day began in March 2013.
- Clinical engineering and plant maintenance is budgeted to decrease by \$42,000. We had several larger non-contracted repairs in FY 2013, as well as inordinately high repair and maintenance expense. We anticipate that these areas will normalize during the next six month period.
- Unemployment insurance premiums were reclassified from Human Resources purchased services to benefit expense.
- Several less material changes in other departments, including patient accounting, community relations and pharmacy, dialysis and water's edge.

PROPOSED BUDGET NARRATIVE  
FISCAL YEAR 2014 – SIX MONTHS

**Rents and Leases**

This category will decrease by approximately \$35,000 over current year projected rent expenses. During the very high acute census months of February and March, we had to rent many beds, ventilators and other equipment. With the lower budgeted acute census, we do not anticipate this need to be at the same level during the next six months. Other rents and leases are expected to remain unchanged.

**Insurance**

Insurance expense is anticipated to increase \$16,000 or 7.5% as a result of additional malpractice insurance associated with the new physician and slight increases to property and D&O coverage. All other insurance premiums are expected to remain consistent with prior year.

**Utilities**

Utilities expenses, including telephone, are planned to decrease \$20,000. Most of this change is associated with seasonality fluctuations.

**Depreciation and Amortization**

Depreciation expense has increased by \$18,000 or 3.8% from the last six months of FY 2013. The increase is associated with depreciation of the mediates emergency department application and emergency egress lighting project that were both recently completed, netted against other assets that will become fully depreciated during this period.

**Other Expenses**

Other expenses will remain constant with the last six months of FY 2013. There are small increases and decreases in various departments but overall no significant changes in this expense category.

**Net Income**

After all of the herein discussed changes to patient volumes, revenue and operating expenses, the consolidated bottom line is budgeted at a loss of \$1,092,000. This is an improvement of \$735,000 over the projected loss for the six months ending the FY 2013 year.

Please see the following pages for the Income Statement comparison as well as the summary of volume projections for the six month budget period.

Alameda Hospital  
 Inpatient Acute Volume Summary  
 FY 2014 Budget - Six Months

	Actual <u>FY 2012</u>	Actual <u>FY 2013</u>	Jan - Jun <u>FY 2013</u>	Six Months Budget <u>FY 2014</u>
Discharges - Acute	2,799	2,838	1,463	1,401
ALOS - Acute	3.9	4.0	4.1	4.0
Patient Days - Acute				
CCU	1,485	1,719	855	821
DOU	4,171	4,635	2,511	2,191
3 West	5,224	5,082	2,575	2,594
Total Acute	<u>10,880</u>	<u>11,436</u>	<u>5,941</u>	<u>5,606</u>
Average Daily Census				
CCU	4.1	4.7	4.7	4.5
DOU	11.4	12.7	13.9	11.9
3 West	14.3	13.9	14.2	14.1
Total Acute	<u>29.7</u>	<u>31.3</u>	<u>32.8</u>	<u>30.5</u>
Available Beds	66	66	66	66
Occupancy Percent	45.0%	47.5%	49.7%	46.2%
CMI - Medicare	1.3767	1.4435	1.4024	1.4435
CMI - Total	1.3036	1.3428	1.3274	1.3428

Alameda Hospital  
 Inpatient Long-Term Care Volume Summary  
 FY 2014 Budget - Six Months

	Actual <u>FY 2012</u>	Actual <u>FY 2013</u>	Jan - Jun <u>FY 2013</u>	Six Months Budget <u>FY 2014</u>
<u>Discharges</u>				
Sub-Acute	30	33	18	17
South Shore	116	64	29	32
Waters Edge	-	168	98	90
Total Long Term Care Discharges	<u>146</u>	<u>265</u>	<u>145</u>	<u>139</u>
<u>Patient Days</u>				
Sub-Acute	11,842	11,716	5,751	5,864
South Shore	7,726	8,360	4,213	4,216
Waters Edge (1)	-	35,010	19,765	19,872
Total Long Term Care Days	<u>19,568</u>	<u>55,086</u>	<u>29,729</u>	<u>29,952</u>
<u>Average Daily Census</u>				
Sub-Acute	32.4	32.1	31.8	31.9
South Shore	21.1	22.9	23.3	22.9
Waters Edge (1)	0.0	104.8	109.2	108.0
Total Average Daily Census	<u>53.5</u>	<u>159.8</u>	<u>164.2</u>	<u>162.8</u>
<u>Payer Mix</u>				
Sub-Acute				
Medicare	1%	1%	1%	1%
Medi-Cal	96%	96%	96%	96%
Other	3%	3%	3%	3%
South Shore				
Medicare	14%	15%	15%	15%
Medi-Cal	85%	84%	84%	84%
Other	1%	1%	1%	1%
Waters Edge				
Medicare	n/a	15%	15%	15%
Medi-Cal	n/a	78%	78%	77%
Other	n/a	7%	7%	8%
Available Beds (1)	60	170	170	170
Occupancy Percent	89.1%	94.0%	96.6%	95.8%

Alameda Hospital  
 Surgery & Outpatient  
 FY 2014 Budget - Six Months

	Actual <u>FY 2012</u>	Actual <u>FY 2013</u>	Jan - Jun <u>FY 2013</u>	Six Months Budget <u>FY 2014</u>
<u>ECC Visits</u>	16,964	17,175	8,727	8,944
<u>Outpatient Registrations</u>	22,224	23,385	12,205	11,689
Wound Care Visits	-	3,558	2,469	2,100
Orthopedic Visits	-	1,339	1,214	1,812
1206B Clinic Visits	2,158	2,359	1,143	1,330
<u>Per Day</u>				
ECC	46.3	47.1	48.2	48.6
Registrations	60.7	64.1	67.4	63.5
<u>Surgeries</u>				
Inpatient	469	545	294	286
Outpatient	1,704	1,469	743	784
Total	<u>2,173</u>	<u>2,014</u>	<u>1,037</u>	<u>1,070</u>

Alameda Hospital  
 Three Year Detail Trend of Outpatient Visits  
 FY 2014 Budget - Six Months

	Actual <u>FY 2012</u>	Actual <u>FY 2013</u>	Jan - Jun <u>FY 2013</u>	Six Months Budget <u>FY 2014</u>
CT Scan	428	459	233	226
EEG	20	13	4	6
EKG	821	955	467	488
IV Therapy	976	1,052	465	587
IVT Other	748	703	358	345
Laboratory	7,651	7,480	3,736	3,740
MRI	559	597	313	339
Nuclear Medicine	140	129	76	57
Occupational Therapy	409	739	353	386
Physical Therapy	3,354	4,889	3,020	2,919
Respiratory Therapy	66	62	32	30
Speech	48	32	15	17
Ultrasound	1,208	1,051	484	576
Radiology	6,376	6,266	3,278	3,637
Wound Care	-	3,559	2,470	2,100
Total Visits	<u>22,804</u>	<u>27,986</u>	<u>15,304</u>	<u>15,453</u>
O/P Registrations	<u>22,224</u>	<u>23,385</u>	<u>12,205</u>	<u>11,689</u>

**Alameda Hospital**  
**Statement of Income and Expense**  
**Six Month Spread**  
**FY 2014 Operating Budget**

	<u>Jul-13</u>	<u>Aug-13</u>	<u>Sep-13</u>	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>6 Month Total</u>
<u>Acute ADC</u>	29.2	30.6	28.9	29.0	32.5	32.5	30.5
Gross Patient Revenue	26,474,474	27,965,656	26,464,012	28,001,314	28,008,601	27,752,316	164,666,373
Total Deductions	20,322,524	21,467,196	20,314,493	21,494,568	21,500,161	21,303,430	126,402,371
Net Patient Revenue	6,151,950	6,498,460	6,149,519	6,506,746	6,508,440	6,448,886	38,264,002
Net Revenue Percent	23.2%	23.2%	23.2%	23.2%	23.2%	23.2%	23.2%
Other Operating Revenue	99,583	99,583	99,583	99,583	99,583	99,583	597,500
Total Operating Revenue	6,251,534	6,598,044	6,249,102	6,606,330	6,608,023	6,548,469	38,861,502
Expenses							
Salaries and Wages	3,358,316	3,627,010	3,437,639	3,595,870	3,547,040	3,640,148	21,206,023
Temporary Agency	180,735	179,586	167,372	154,748	157,516	160,487	1,000,444
Benefits	1,042,609	1,061,826	1,044,770	1,061,772	1,057,068	1,065,688	6,333,733
Professional Fees	501,058	501,058	501,058	501,058	502,537	501,057	3,007,825
Supplies	755,930	819,966	803,007	823,154	814,055	799,571	4,815,684
Purchased Services	571,256	571,256	571,256	571,256	571,256	571,256	3,427,535
Rent	220,844	220,844	220,844	220,844	220,844	220,844	1,325,062
Insurance	38,158	38,158	38,158	38,158	38,158	38,158	228,947
Utilities & Telephone	83,490	83,490	83,490	83,490	83,490	83,490	500,940
Depreciation	82,625	82,625	82,625	82,625	82,625	82,625	495,749
Other	110,593	125,593	125,593	110,593	110,593	111,593	694,560
Total Expenses	6,945,613	7,311,410	7,075,811	7,243,567	7,185,182	7,274,917	43,036,500
Operating Income/(Loss)	(694,079)	(713,367)	(826,708)	(637,237)	(577,159)	(726,448)	(4,174,998)
Non-Operating	513,833	513,833	513,833	513,833	513,833	513,833	3,083,000
Net Income/(Loss)	(180,246)	(199,533)	(312,875)	(123,403)	(63,326)	(212,614)	(1,091,998)



**Alameda Hospital**  
**Consolidated Statement of Income and Expense**  
**Six Month Comparison**  
**FY 2014 Operating Budget**  
**\$ in thousands**

	Jan-Jun <u>FY 2013</u>	Six Month Budget <u>FY 2014</u>	Change from FY 2013	Percent <u>Change</u>
Net Patient Revenue	\$ 37,593	\$ 38,264	\$ 671	1.8%
Net Revenue Percent	22.9%	23.2%	0.3%	1.3%
Other Operating Revenue	797	597	(200)	-25.1%
Total Operating Revenue	<u>38,390</u>	<u>38,861</u>	<u>471</u>	<u>1.2%</u>
<b>Expenses</b>				
Salaries and Wages	21,205	21,206	1	0.0%
Temporary Agency	1,112	1,000	(112)	-10.1%
Benefits	6,445	6,334	(111)	-1.7%
Professional Fees	2,708	3,008	300	11.1%
Supplies	4,911	4,816	(95)	-1.9%
Purchased Services	3,503	3,427	(76)	-2.2%
Rent	1,360	1,325	(35)	-2.6%
Insurance	213	229	16	7.5%
Utilities & Telephone	521	501	(20)	-3.8%
Depreciation	478	496	18	3.8%
Other	694	694	-	0.0%
Total Expenses	<u>43,150</u>	<u>43,036</u>	<u>(114)</u>	<u>-0.3%</u>
Operating Income/(Loss)	(4,760)	(4,175)	585	12.3%
Non-Operating	2,933	3,083	150	5.1%
Net Income/(Loss)	<u>\$ (1,827)</u>	<u>\$ (1,092)</u>	<u>\$ 735</u>	<u>40.2%</u>

**Alameda Hospital  
Net Income Waterfall  
Fiscal Year 2014**

<b><u>FY 2013 Estimated Net Income - 6 months</u></b>	<b><u><u>\$ (1,827)</u></u></b>
<b><u>Net Revenue</u></b>	
<b><u>Patient Revenue</u></b>	
TriCare Reserve	465
Acute volume impact	(771)
Ortho Surgeon spin off	480
Additional General Surgeon - spin off to hospital	135
MRI extra day	50
Wound Care - lower volume	(146)
Wound Care - improved revenue cycle	90
ECC - increased volume	106
Sub-Acute - increased patient days	100
Contract Rate Increases	362
Medicare sequestration effect	(200)
Sub-Total Patient Revenue	<u>671</u>
<b><u>Other Operating Revenue</u></b>	
Other Operating Revenue - impact of EMR Money	(350)
Physician clinic - new general surgeon	150
Sub-Total Other Operating Revenue	<u>(200)</u>
Sub-Total Additional Operating Revenue	<u><u>471</u></u>
<b><u>Operating Expense Impact:</u></b>	
<b>Salaries</b>	
Lower Census - Acute	(257)
Incremental/Vacant FTEs	328
Reduced Overtime/Doubletime - Acute and Sub-Acute	(180)
Additional Waters Edge staffing	110
Sub-Total Salaries	<u>1</u>
Temporary Agency - reduced acute census and reduction in ancillary service areas	(112)
Benefits - increased PTO usage encouraged to reduce to reduce PTO accrual	(111)
Professional Fees - increased Hospitalist contract, Legal fees, IT meaningful use, GPO contract, plus ECC call pay moved from Primary Care Clinic salaries	300
Supplies - new GPO arrangement to help keep supplies in line	(95)
Purchased Services	(76)
Other Expenses - reduced equipment rentals and more control of misc expenses	(21)
Sub-total Additional Expenses	<u>(114)</u>
Non-Operating Revenue - consistent with June 2013	<u>150</u>
<b><u>FY 2014 Budget Net Income - 6 months</u></b>	<b><u><u>\$ (1,092)</u></u></b>

# Fiscal Year 2014

## Six Month - Capital Budget

As part of the District's annual budgeting process, it is required to submit and approve a capital budget in addition to the operating budget. As part of the capital budget process, input is solicited from all departments of the organization as well as from members of the medical staff.

For FY 2014, the total capital budget requests submitted is \$683,252. Provided with each request, is an explanation of why the request is being made and the degree of importance/urgency. Management then has the task of evaluating the submitted requests against the organizations ability to fund them.

Given the financial challenges reflected in the FY 2014 operating budget and given the capital projects that have already been approved or are in process, the amount of additional capital acquisitions being recommended is very limited.

Attached is a list of the recommended capital budget items for the first six months of fiscal year 2014 that total \$683,252. This is broken down into the following areas of need:

Information Technology	\$ 310,000
Surgery	\$ 341,667
Pharmacy	\$ 20,795
Emergency Care	<u>\$ 10,790</u>
 Sub Total	 <u>\$ 683,252</u>

It is recognized that there are many capital needs given the age of our facilities and much of our equipment. There is also pressing need to continue to advance our technological capabilities in both hardware and software to remain competitive. In addition there are several regulator and seismic compliance activities that need to be completed quickly that will require scarce resources, many of these are already in process during fiscal 2013 and have received partial funding from the Hospital Foundation.

### Funding:

To help fund these projects we recommend using the amount of depreciation expense in the operating budget to reinvest in much needed capital expenditures. For the six month budget of FY 2014 this amount is \$496,000. In addition we do expect to receive State and Federal incentive funds to help to help offset the cost of the completing of the Electronic Health Record and Meaningful Use Attestation, which is expected to occur by the end of September 2013. The incentive funds would not be paid until December 2013 or January 2014.

Alameda Hospital  
 Capital Budget Request Summary  
 FY 2014 - Six Month Budget

Information Technology	Replacement PCs	50,000
	New Servers	50,000
	Advanced Authentication/ Voice Recognition	90,000
	Electronic Health Record Build Team	120,000
Surgery	Hana Table	102,048
	Mini C Arm	75,000
	Surgery Drill and Saw System	42,635
	Misc. Surgery Equipment	121,984
Pharmacy	Software and Surveillance System	20,795
Emergency Care	Stretcher with scale	10,790
Total Requests		<u>\$ 683,252</u>