

# Alameda Health System

## Fiscal 2019 Operating and Capital Budget First Review

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# Fiscal 2019 Budget Goals and Principles

- Develop a balanced budget that enables AHS to provide the highest quality of services for the population of Alameda County, while fueling AHS's journey to population health and address community need.
- **In FY 2019, the significant financial goal is to achieve the established operational target of 5% EBIDA Margin.**
- The budget process was inclusive to all areas of AHS, and involved input from AHS staff and Clinical leaders.
- The budget process aimed to provide a balanced direction and enable resources necessary to sustain clinical operations.
- **Model salary expense based on weighted average wage rate by job code with vacancy budget at the top of the range.**
- The budget reflects the operational goals of AHS, and provides the resources to fulfil AHS's projected direction in FY2019.

# FY 2019 Budget Process

1

Dec- January

AHS ELT developed FY2019 DRAFT Objectives and Goals

Volume Statistics (baseline) developed using quantitative trend projections and shared with SBUs for feedback.

Baseline Budget developed using actual (6 months), and benchmarks to inform recommended targets for FY2019

2

Feb-March

AHS Staff and Leadership retreat (Feb) receive feedback on proposed operational plan for FY2019. Budget process and goals shared with AHS.

Budget Training to AHS department leaders.

Budget targets distributed to SBUs/departments.

Budget Oversight reviews from Feb-March for all SBUs/Support services.

Budget update provided to Finance Committee in March

3

April - May

Budget Process, assumptions and draft proforma- presented to Board at April Board retreat for feedback.

Budget Oversight committee will address any outstanding questions and develop final draft of FY2019 Budget.

SBUs/Support services to review final budget and targets.

AHS staff to develop operational plan detailed plans- SMART goals and TNM dashboard draft

FY2019 pro forma to be presented at **Finance Committee** in May.

FY2019 pro forma to be presented to **full Board** in May.

4

June- July

AHS staff to finalize TNM dashboard draft FY 2019.

Board Approval process for Budget FY 2019 at June Finance committee and at Full Board June.

FY 2019 Operational Plan/TNM dashboard for approval (June/ July)

Process

# Summary Financial Plan

ALAMEDA HEALTH SYSTEM  
Summary Financial Plan

Revision Date: 4/20/2018

**DRAFT**

	(\$ in thousands)					
	Actual 2017	Forecasted 2018	Proposed 2019	Forecast 2020	Forecast 2021	Forecast 2022
<b>1 Revenue Growth Rate</b>	5.0%	5.9%	2.8%	3.0%	2.0%	2.0%
Expense Growth Rate	3.3%	7.2%	1.9%	1.9%	2.0%	2.0%
<b>2 Net Revenue</b>	\$ 971,991	\$ 1,028,894	\$ 1,057,475	\$ 1,089,199	\$ 1,110,983	\$ 1,133,203
<b>3 Baseline EBIDA Margin</b>	5.4%	4.2%	5.0%	6.0%	6.0%	6.0%
<b>4 Free Cash Flow (EBIDA)</b>	\$ 52,407	\$ 43,027	\$ 52,404	\$ 65,352	\$ 66,659	\$ 67,992
<b>5 Epic Operating Costs</b>		\$ (968)	\$ (3,436)	\$ (32,983)	\$ (10,025)	\$ (8,795)
<b>6 Epic Operational Benefits</b>				\$ 1,700	\$ 4,451	\$ 5,337
<b>7 Post Go-Live Cash Flow</b>	\$ 52,407	\$ 42,059	\$ 48,968	\$ 34,069	\$ 61,085	\$ 64,534
<b>8 Working Capital</b>	(8,317)	(9,484)	(4,764)	(5,287)	(3,631)	(3,703)
<b>9 EMR Days in A/R Effect</b>					(15,000)	15,000
<b>10 Supplemental Payments Timing</b>		80,000	(20,000)	(10,000)	(10,000)	(10,000)
<b>11 Cash From Operations</b>	44,090	112,575	24,204	18,782	32,454	65,831
<b>12 Post Epic EBIDA Margin</b>	5.4%	4.1%	4.6%	3.1%	5.5%	5.7%
<b>13</b>						
<b>14 Debt Service Requirements</b>	(13,252)	(13,848)	(12,135)	(11,612)	(7,156)	-
<b>15 Net Negative Balance Retirement</b>	4,305	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
<b>16 AHS/County Capital Reserve Fund</b>	-		7,000	7,000	7,000	7,000
<b>17 Capital Expenditures</b>	(30,974)	(60,760)	(76,682)	(39,571)	(24,635)	(51,416)
<b>18 Philanthropic Support Kaiser</b>	-	6,000	8,000	6,000	-	-
<b>19 AHSF Support</b>	2,730	3,000	3,000	6,000	6,000	6,000
<b>20 Total Cash Needs</b>	(37,191)	(70,608)	(75,818)	(37,183)	(23,791)	(43,416)
<b>21 Cash Surplus/(Deficit)</b>	\$ 6,899	\$ 41,967	\$ (51,613)	\$ (18,401)	\$ 8,664	\$ 22,415

	CapEx Plan (\$000)					
	2017	2018	2019	2020	2021	2022
<b>22 Facilities</b>	(7,300)	(10,107)	(2,000)	(5,000)	(5,000)	(10,000)
<b>23 Equipment</b>	(14,732)	(5,000)	(2,000)	(5,000)	(5,000)	(19,000)
<b>24 Information Technology</b>	(6,815)	(6,000)	(2,000)	(4,000)	(4,000)	(10,000)
<b>25 AHS Capital Reserve Funds Payments</b>			(7,000)	(7,000)	(7,000)	(7,000)
<b>26 San Leandro Rehab</b>	(1,993)	(15,000)	(22,000)	-	-	-
<b>27 SB90 Seismic - AH Kitchen</b>	-	(4,906)	(2,000)	(1,000)	-	-
<b>28 Strategic Opportunities</b>	(134)			-	-	-
<b>29 Electronic Medical Record</b>	-	(19,747)	(39,682)	(17,571)	(3,635)	(5,416)
<b>30 Capital Expenditures</b>	\$ (30,974)	\$ (60,760)	\$ (76,682)	\$ (39,571)	\$ (24,635)	\$ (51,416)

# 2019 Operating Budget Detail

# Fiscal 2019 Budget Assumptions

Category	Description
Volume	<p>1) Overall patient days reduced by 0.2% with a 3.6% reduction in Acute care but a 3.8% increase in Psychiatric patient day and a 1.6% increase in Rehab days from the FY18 forecast volume.</p> <p>2) ED visits in all three sites are expected to have a lower volume in FY19 due to various alternate access points.</p> <p>3) Delivery cases are budgeted flat in FY19 from FY18. This is primarily related to an overall drop in birth rate in the Alameda County.</p> <p>4) Surgical cases are budgeted with a moderate increase in FY19. A projected 7% increase in SLH is due to the recruitment effort of adding a vascular surgeon. New leadership in the Department of Surgery is anticipated with an increase in surgical volume.</p> <p>5) Ambulatory Clinic visits is projected with 5% increase from FY18 projected volume. The projected increase is due to standardization and improvement in throughput to meet demand.</p>
Revenue	<p>1) 2.4% price increase</p> <p>2) Expected rate increase from the Alameda Alliance and Anthem Medi-Cal Managed Care contracts.</p> <p>3) Supplemental Revenue is expected to reduce from State. Concerted effort to improve quality measures to maximize supplemental revenue in QIP, EPP and PRIME.</p>
Expense	<p>1) Union MOU wage increases are modeled with an overall 3.5% increase in wages.</p> <p>2) \$5M Supply Chain initiative was factored in the FY19 budget</p> <p>3) A 3% medical supply and 7% pharmaceutical inflation increase were applied.</p>
EBIDA %	Budget at 5% EBIDA margin.

# 2019 Volume Budget – System

## KEY GLOBAL STATISTICS

	PROJECTED 2018	FORECAST 2018	PROPOSED 2019	# Change	% Change
Patient Days ( Net of newborns)	208,820	208,821	208,478	(343)	(0.2)%
Average Daily Census	572	572	571	(1)	(0.2)%
Discharges	18,923	18,923	19,013	90	0.5 %
Deliveries	1,351	1,351	1,359	8	0.6 %
Surgeries	9,572	9,572	9,756	184	1.9 %
Emergency Services	137,472	137,472	134,988	(2,484)	(1.8)%
Clinic Visits - Traditional	306,697	307,009	321,347	14,338	4.7 %
Other Clinic Visits	39,128	42,165	41,133	(1,032)	100.0 %

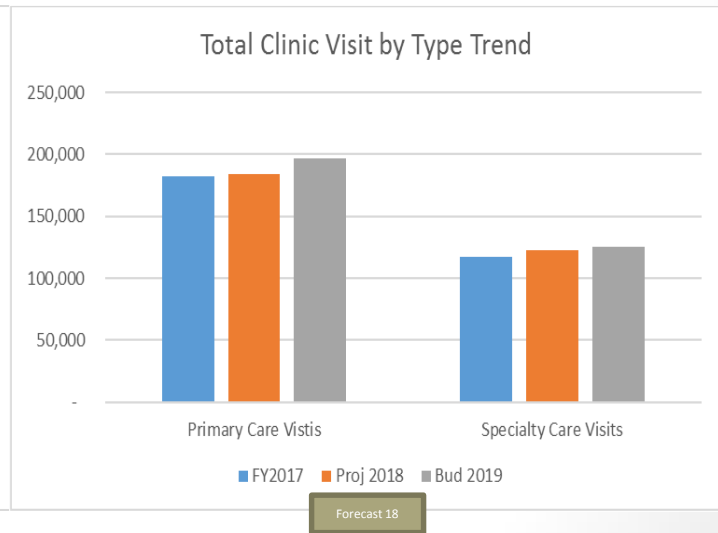
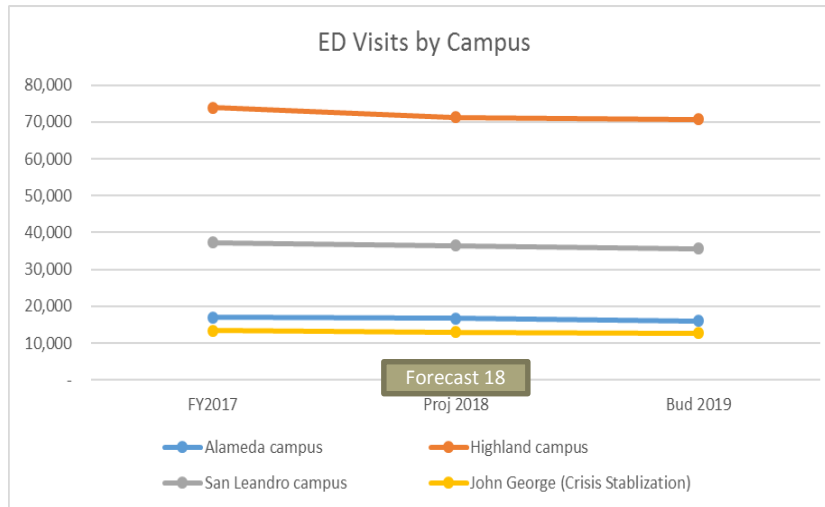
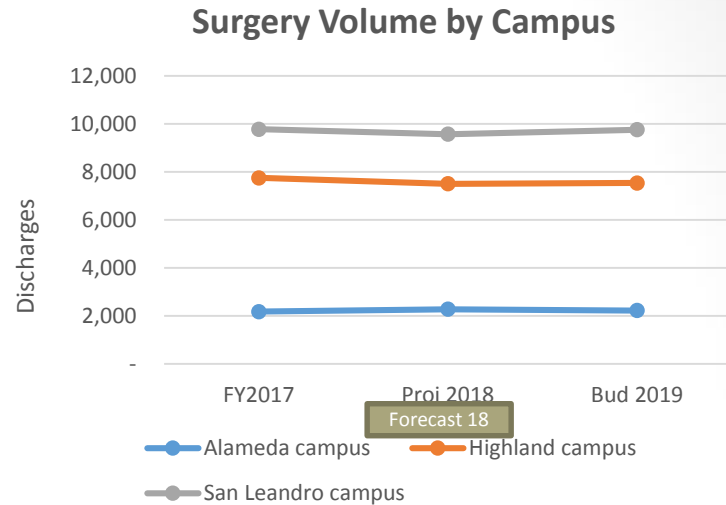
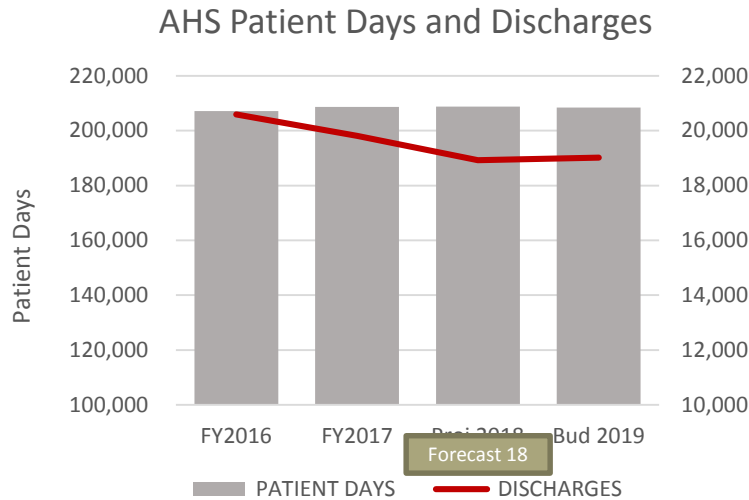
	ACTUAL 2017	Forecast 2018	PROPOSED 2019	\$ Change	% Change
<b>Patient Days (Net of newborns)</b>	208,640	208,821	208,478	(343)	(0.2)%
• Acute Medical	76,340	77,075	74,321	(2,754)	(3.6)%
• Acute Psychiatric	24,673	24,057	24,969	912	3.8%
• Post Acute Care	107,627	107,689	109,188	1,499	1.4%
<b>Deliveries</b>	1,396	1,351	1,359	8	0.6%
<b>Surgeries</b>	9,777	9,572	9,756	184	1.9%
• Alameda	2,171	2,276	2,224	(52)	(2.3)%
• Highland	5,578	5,225	5,309	84	1.6%
• San Leandro	2,028	2,071	2,223	152	7.4%
<b>Emergency Services</b>	141,458	137,472	134,988	(2,484)	(1.8)%
• Alameda	16,969	16,768	16,031	(737)	(4.4)%
• Highland	73,839	71,229	70,653	(576)	(0.8)%
• John George (Crisis Stabilization)	13,382	12,996	12,642	(354)	(2.7)%
• San Leandro	37,268	36,479	35,662	(817)	(2.2)%

# Volume drivers

- In Acute Care, strategic growth is anticipated through the development of surgical volumes across San Leandro, and Highland.
- Despite trends that indicate decline in overall births in Alameda County, through concerted efforts to improve pre-natal care, AHS anticipates to maintain its deliveries projected for FY 2019.
- Drivers for decline in volume are also built in; specifically, the closure of the third floor in San Leandro.
- In Post Acute, acute rehab is planning and budgeted to increase census to keep with the increased demand.
- ED visits in all three sites are expected to have a lower volume in FY19 due to various alternate access points.
- In ambulatory, primary care clinic volume projected with a 5% increase and a 1.2% increase in specialty clinic visits. The projected increase in volume is due to standardization and improvement in throughput to accommodate demand.
- In Behavioral Health, PES volumes are expected to decline, but John George is expected to regain its volume in FY 2019.



# AHS Key Volume Trend



## Consolidated Income Statement

(Stated in Thousands)

	PROJECTED 2018	FORECAST 2018	PROPOSED 2019	\$ Change	% Change
Net patient service revenue	\$ 614,051	\$ 625,510	\$ 667,388	\$ 41,878	6.7%
Supplemental Revenue	405,546	403,384	390,087	(13,297)	(3.3)%
<b>Net operating revenue</b>	<b>1,019,597</b>	<b>1,028,894</b>	<b>1,057,475</b>	<b>28,581</b>	<b>2.8%</b>
Salaries, Wages, Registry, Temps	523,797	518,720	530,768	(12,048)	(2.3)%
Employee Benefits	158,453	162,846	176,652	(13,806)	(8.5)%
Contracted Physician Services	87,883	88,221	91,219	(2,998)	(3.4)%
Purchased Services	71,433	74,075	73,998	77	0.1%
Supplies and Pharmaceuticals	86,515	89,345	79,413	9,932	11.1%
Outside Medical Services	4,100	4,601	4,475	126	2.7%
General & Administrative Expenses	19,352	18,810	19,901	(1,091)	(5.8)%
Repairs/Maintenance/Utilities	21,159	21,030	20,036	994	4.7%
Building/Equipment Leases & Rentals	8,395	8,219	8,608	(389)	(4.7)%
Depreciation	15,930	15,913	16,004	(91)	(0.6)%
<b>Total operating expense</b>	<b>997,017</b>	<b>1,001,780</b>	<b>1,021,074</b>	<b>(19,294)</b>	<b>(1.9)%</b>
<b>Operating Income</b>	<b>22,580</b>	<b>27,114</b>	<b>36,401</b>	<b>(9,287)</b>	<b>(34.3)%</b>
Non-Operating Income/(Expense)	(50,228)	(50,165)	(49,828)	337	0.7%
<b>Total Income</b>	<b>\$ (27,648)</b>	<b>\$ (23,051)</b>	<b>\$ (13,427)</b>	<b>\$ (8,950)</b>	<b>38.8%</b>
Operating Margin %	2.2%	2.6%	3.4%	0.8%	
<b>EBIDA %</b>	<b>3.8%</b>	<b>4.2%</b>	<b>5.0%</b>	<b>0.8%</b>	
Collection %	18.8%	19.1%	19.7%	0.6%	
Paid Full Time Equivalents (FTE)	4,136	4,584	4,478	106	2.3%
Compensation Ratio %	66.9%	66.2%	66.9%	0.7%	

4423

4442

(19)

# Net Patient Service Revenue – System

(Stated in Thousands)

	PROJECTED 2018	FORECAST 2018	PROPOSED 2019	\$ Change	% Change	COMMENTS
Inpatient service revenue	\$ 1,914,212	\$ 1,917,145	\$ 1,956,061	\$ 38,916	2.0%	Lower Inpatient Volume
Outpatient service revenue	1,072,790	1,077,466	1,113,672	36,206	3.4%	Continue Charge Capture Effort
Professional service revenue	287,701	278,139	315,684	37,545	13.5%	Continue Charge Capture Effort
<b>Gross patient service revenue</b>	<b>3,274,703</b>	<b>3,272,750</b>	<b>3,385,417</b>	<b>112,667</b>	<b>3.4%</b>	Based on Assumed 2.4% Rate Increase
Deductions from revenues	(2,693,848)	(2,680,436)	(2,752,773)	(72,337)	2.7%	Improved contract rate from AAMC & Anthem
Capitation - HPAC	33,196	33,196	34,744	1,548	4.7%	add'l \$50K for new deliverable
<b>Net patient service revenue</b>	<b>614,051</b>	<b>625,510</b>	<b>667,388</b>	<b>41,878</b>	<b>6.7%</b>	
Collection % - NPSR	18.8%	19.1%	19.7%			Includes 2.4% Rate Increase & Rev. Cycle improvement

# AHS Fiscal 2019 Revenue Forecast - Overview

- Projecting an overall increase of 2.8%, including 6.7% INCREASE in NPSR but a 3.3% REDUCTION in Supplemental Reimbursement.
- NPSR growth includes:
  - NPSR includes an assumed 2.4% price increase on July 1<sup>st</sup>.
  - Includes \$6 million from additional physician pro fee.
  - Includes \$4 million from improved charge capture.
  - Completion of revenue cycle clean up activities occurring in 2018 for patient receivables, not repeating in FY 2019.
  - Improved contracted rates from Alameda Alliance and Anthem.
  - Reflects \$500K increase in HealthPac funding.

\$1.5M

# Payor Mix and Reimbursement % by Payor Group

## PAYOR MIX BY CHARGES

	ACTUAL	PROJECTED	PROPOSED	%
	2017	2018	2019	Change
Self Pay	2.9%	2.7%	3.0%	0.3%
Insurance	9.5%	8.0%	8.0%	(0.0)%
Medicare	27.2%	28.3%	27.2%	(1.1)%
Medicare MC	1.6%	1.6%	1.5%	(0.1)%
Medi-Cal	22.1%	20.4%	20.9%	0.6%
Medi-Cal MC	32.3%	33.5%	33.9%	0.3%
Other Govt	4.2%	5.5%	5.6%	0.0%
Total for System	100.0%	100.0%	100.0%	(0.0)%
Medi-Cal	54.5%	53.9%	54.8%	0.9%
Medicare	28.8%	29.9%	28.7%	(1.2)%

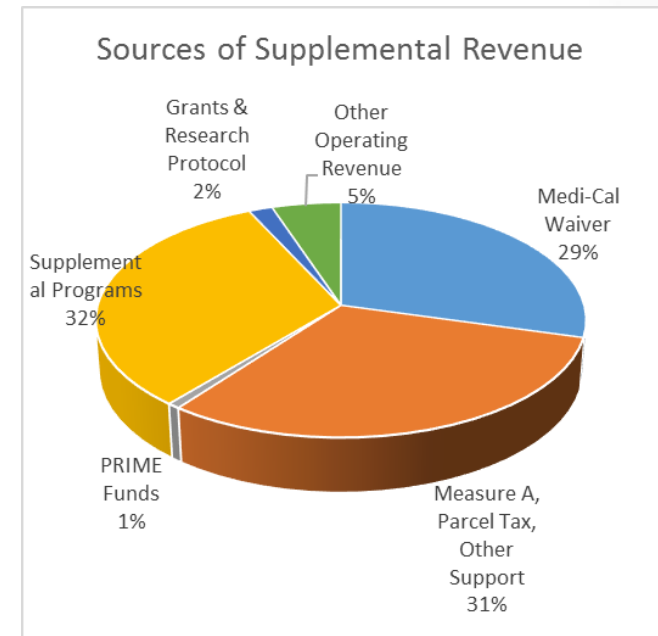
CHARGES	REIMBURSEMENT %		
	Inpatient	Outpatient & MD	Combined
Self Pay	3.8%	19.8%	15.5%
Insurance	38.4%	32.1%	35.6%
Medicare	25.8%	12.0%	21.0%
Medicare MC	5.7%	17.7%	9.8%
Medi-Cal	21.9%	18.7%	21.0%
Medi-Cal MC	11.4%	14.0%	12.6%
FQHC	-----	51.9%	51.9%
Other Govt	5.7%	16.9%	7.0%
Totals	<b>20.2%</b>	<b>14.9%</b>	<b>19.7%</b>

# Supplemental Revenue

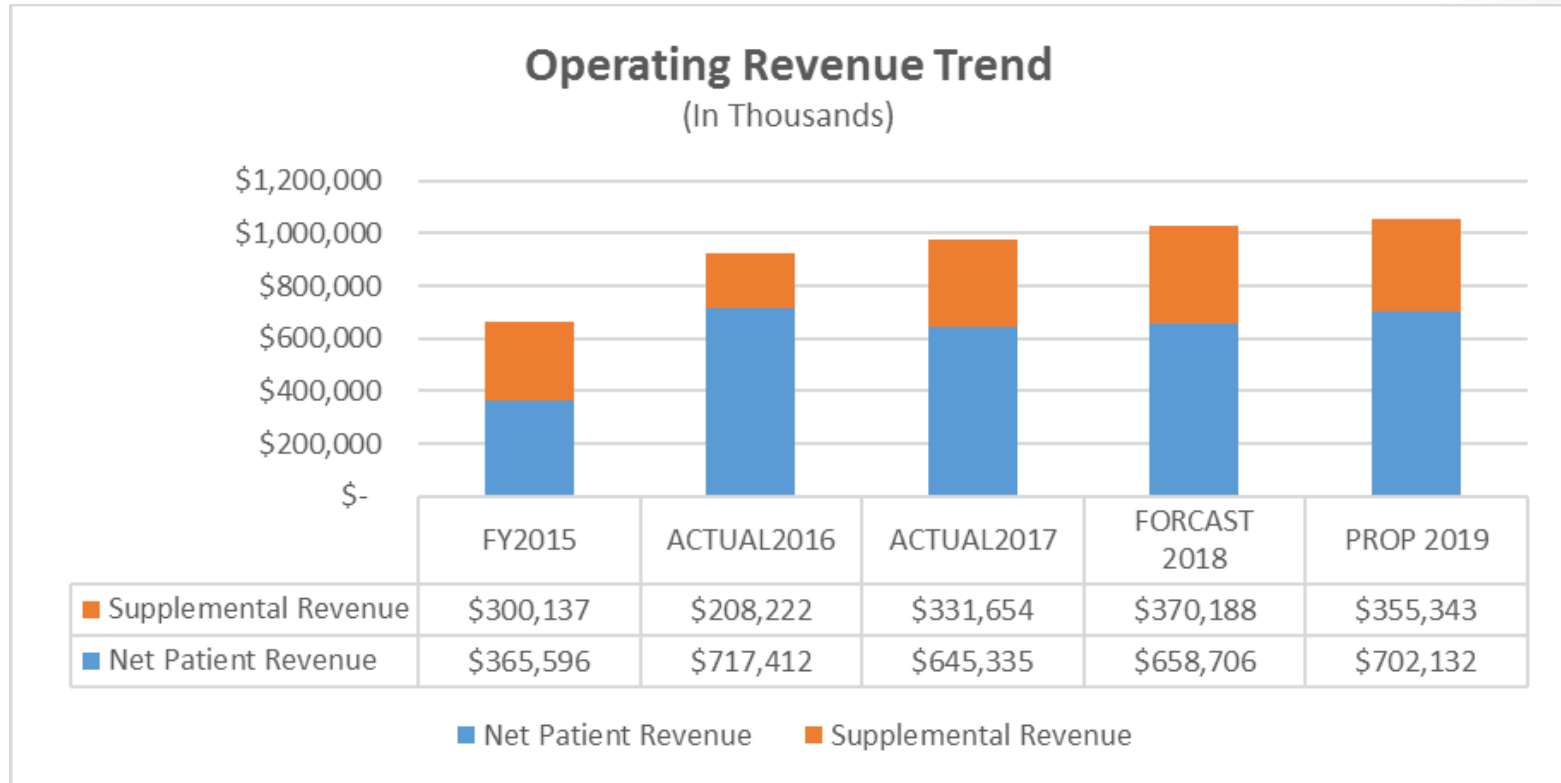
(Stated in Thousands)

	PROJECTED	FORECAST	PROPOSED	\$	%
	2018	2018	2019	Change	Change
Medi-Cal Waiver	\$ 131,615	\$ 131,614	\$ 114,551	\$ (17,063)	(13.0)%
Measure A, Parcel Tax, Other Support	118,398	118,567	120,558	1,991	1.7%
CA Hospital Fee	9,958	10,604	2,900	(7,704)	(72.7)%
Supplemental Programs	114,565	111,172	125,146	13,974	12.6%
Grants & Research Protocol	7,788	7,985	6,914	(1,071)	(13.4)%
Other Operating Revenue	23,205	23,431	20,018	(3,413)	(14.6)%
Incentives	17	11	-	(11)	(100.0)%
<b>Total Supplemental Revenue</b>	<b>\$ 405,546</b>	<b>\$ 403,384</b>	<b>\$ 390,087</b>	<b>\$ (13,297)</b>	<b>(3.3)%</b>

- Reduction in supplemental revenue is primarily related to the projected \$17M reduction in Medi-Cal Waiver.
- Change of CA Hospital Fee program formula resulting in lower managed care participation for AHS.



# AHS Operating Revenue Trend



# Operating Expenses

## OPERATING EXPENSES

(Stated in Thousands)

	PROJECTED 2018	FORECAST 2018	PROPOSED 2019	\$ Change	% Change
Salaries, Wages, Registry	\$ 523,797	\$ 518,720	\$ 530,768	\$ (12,048)	(2.3)%
Employee Benefits	158,453	162,846	176,652	(13,806)	(8.5)%
Contracted Physician Services	87,883	88,221	91,219	(2,998)	(3.4)%
Purchased Services	71,433	74,075	73,998	77	0.1%
Pharmaceuticals	29,609	31,050	29,280	1,770	5.7%
Medical Supplies	35,583	36,224	30,855	5,369	14.8%
Materials and Supplies	21,323	22,071	19,278	2,793	12.7%
Outside Medical Services	4,100	4,601	4,475	126	2.7%
General & Administrative Expenses	19,352	18,810	19,901	(1,091)	(5.8)%
Repairs/Maintenance/Utilities	21,159	21,030	20,036	994	4.7%
Building/Equipment Leases & Rentals	8,395	8,219	8,608	(389)	(4.7)%
Depreciation	15,930	15,913	16,004	(91)	(0.6)%
<b>Total operating expense</b>	<b>\$ 997,017</b>	<b>\$ 1,001,780</b>	<b>\$ 1,021,074</b>	<b>\$ (19,294)</b>	<b>(1.9)%</b>
Operating Expense per APD	\$ 2,790	\$ 2,810	\$ 2,829	\$ (19)	(0.7)%
Compensation Ratio %	66.9%	66.2%	66.9%	(0.7)%	



# Expenses Overview

## Salaries and Benefits:

- Includes MOUs adjustments projected for FY 2019
- Skill mix adjustments to reflect clinical needs
- Model salary expense based on weighted average wage rate by job code with vacancy budget at the top of the range.
- Labor optimization through benchmarking

## Contracted Physician Services:

- Expansion of physician services

## Pharmaceuticals, Materials and Supplies:

- Anticipated reductions driven by GPO optimization

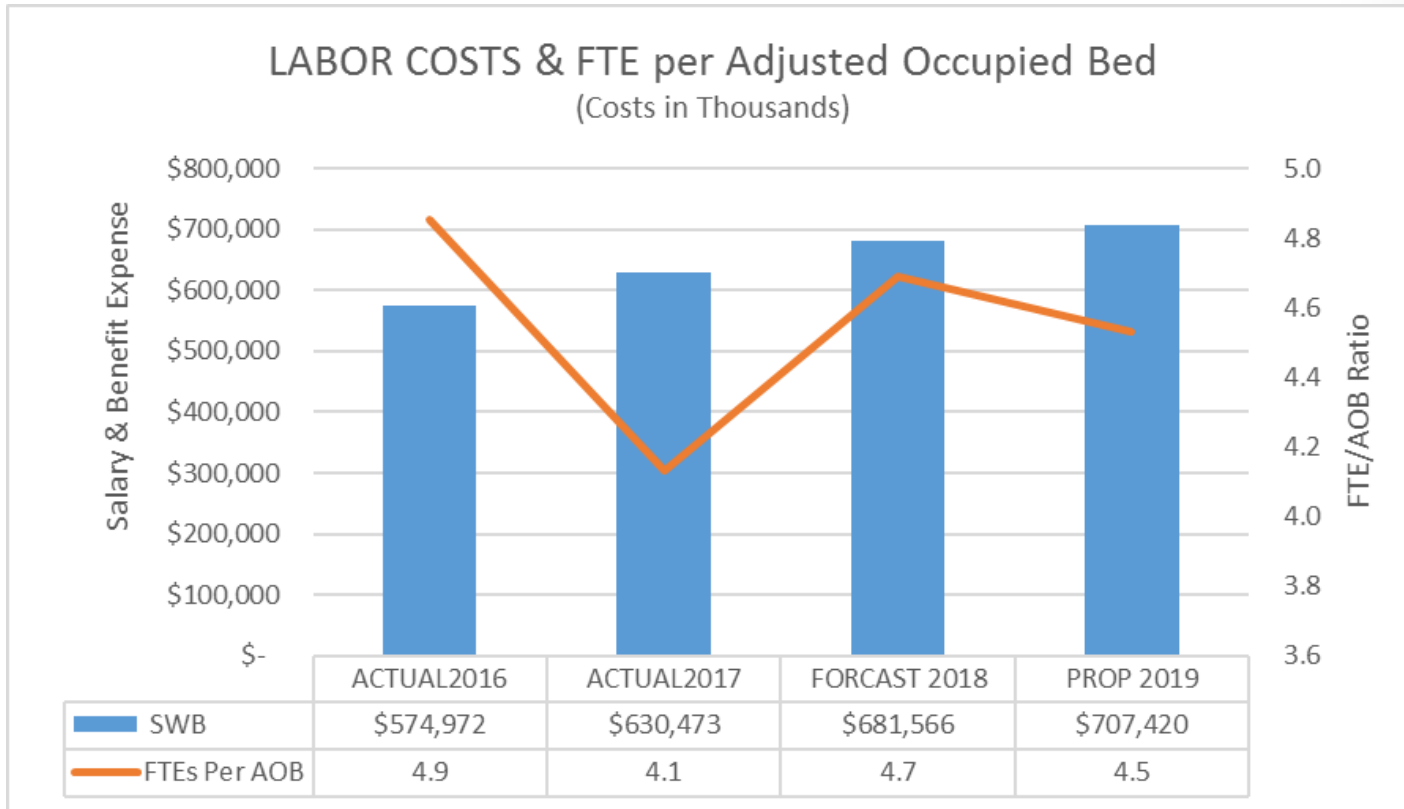
# 2019 Labor Expense – System

	PROJECTED 2018	FORECAST 2018	PROPOSED 2019	\$ Change	% Change
Population Health	\$ 14,403	\$ 14,384	\$ 14,173	\$ 211	1.5 %
Provider Delivery	36,690	35,948	49,443	(13,495)	(37.5)%
Ambulatory Care	47,074	47,048	53,211	(6,163)	(13.1)%
Acute Care	258,262	256,039	244,880	11,159	4.4 %
Behavioral Health Services	45,280	45,109	46,397	(1,288)	(2.9)%
Post-Acute Care	49,831	49,149	50,111	(962)	(2.0)%
System Support Services	72,257	71,043	72,553	(1,510)	(2.1)%
AHS Employee Benefits	158,453	162,846	176,652	(13,806)	(8.5)%
<b>Total Wages, Registry &amp; Benefits</b>	<b>\$ 682,250</b>	<b>\$ 681,566</b>	<b>\$ 707,420</b>	<b>\$ (25,854)</b>	<b>(3.8)%</b>
<b>Paid FTE</b>	<b>3,903</b>	<b>4,584</b>	<b>4,478</b>	<b>(106)</b>	<b>(2.3)%</b>
		<b>4423</b>	<b>4442</b>	<b>19</b>	

(Stated in Thousands)

	PROJECTED 2018	FORECAST 2018	PROPOSED 2019	\$ Change	% Change
Total Salaries and Wages	\$ 490,793	\$ 488,268	\$ 499,293	(11,025)	(2.3)%
FICA - SSI and HI	\$ 33,082	\$ 33,082	\$ 33,811	\$ (730)	(2.2)%
Health & Dental	59,781	59,781	61,137	(1,356)	(2.3)%
SDI / SUI	1,395	1,395	1,427	(32)	(2.3)%
Life Insurance	681	681	696	(15)	(2.3)%
Retirement plans	56,660	56,660	65,442	(8,782)	(15.5)%
Workers' Comp	7,116	7,116	9,817	(2,701)	(38.0)%
All other benefits	4,132	4,132	4,322	(190)	(4.6)%
Total Benefits	\$ 162,846	\$ 162,846	\$ 176,652	\$ (13,806)	(8.5)%
Benefits % of Total Salaries + Wages	33.2%	33.4%	35.4%	-2.0%	

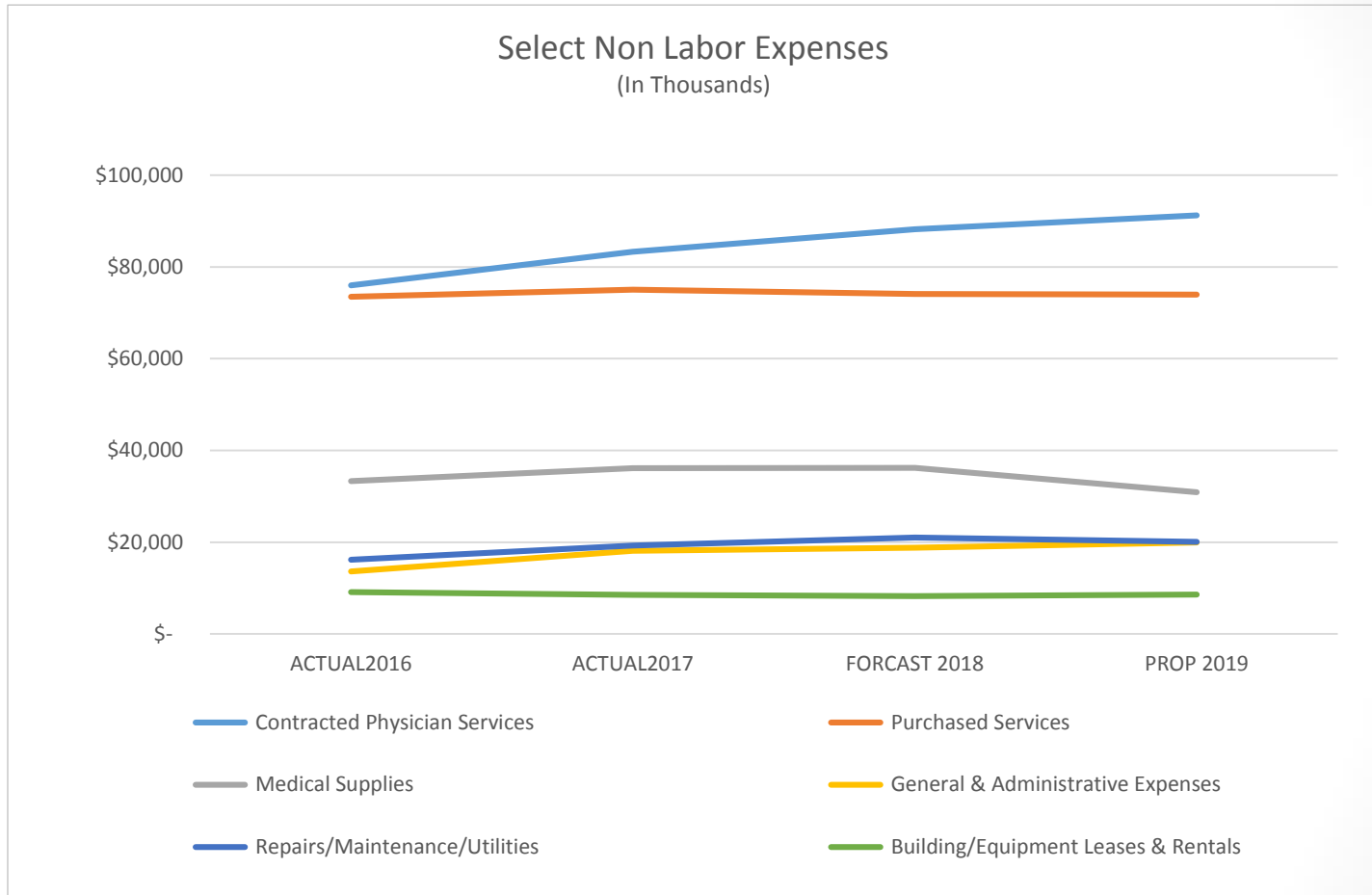
# Labor Cost and FTE Trend



# 2019 Non-Labor Expense – System

<i>(Stated in Thousands)</i>	PROJECTED		FORECAST		PROPOSED		\$	%
	2018	2018	2018	2018	2019	2019	Change	Change
Population Health	\$ 7,967	\$ 8,789	\$ 8,513	\$ 276	3.1 %			
Provider Delivery	94,086	94,504	99,201	(4,698)	(5.0)%			
Ambulatory Care	12,148	11,919	11,690	229	1.9 %			
Acute Care	100,759	102,607	93,521	9,086	8.9 %			
Behavioral Health Services	3,785	4,165	3,802	363	8.7 %			
Post-Acute Care	12,749	13,436	12,943	493	3.7 %			
System Support Services	83,273	84,794	83,984	810	1.0 %			
<b>Total Non Labor Expenses</b>	<b>\$ 314,767</b>	<b>\$ 320,214</b>	<b>\$ 313,654</b>	<b>\$ 6,559</b>	<b>2.0 %</b>			

# Non Labor Expense Trend



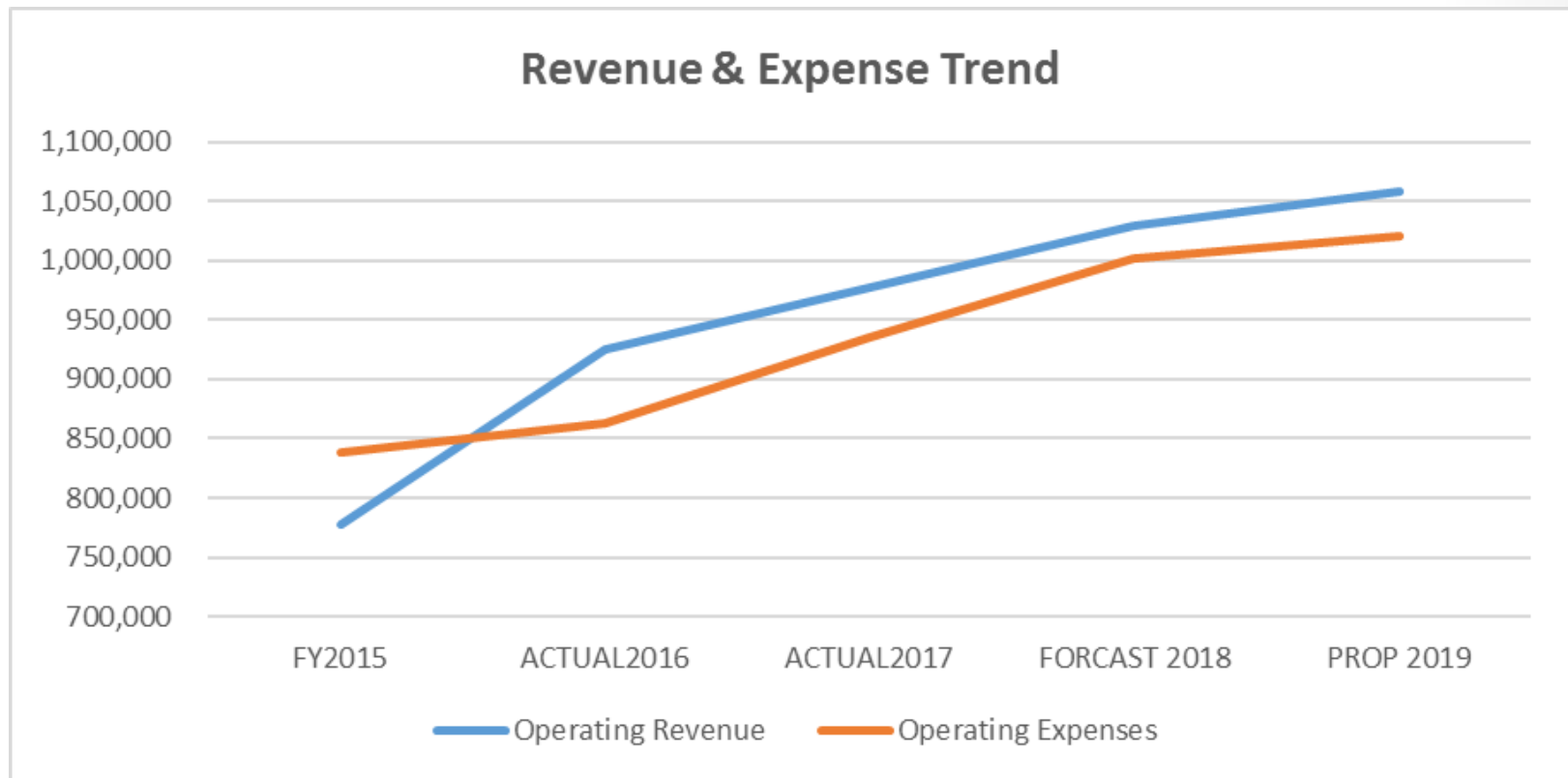
# Key Operation Metrics Trend

## KEY SYSTEM RATIOS

	PROJECTED 2018	FORECAST 2018	PROPOSED 2019	Change
Operating Margin	2.2 %	2.6 %	3.4%	
EBIDA Margin	3.8 %	<b>4.2 %</b>	<b>5.0 %</b>	<b>0.8%</b>
Collection %	18.8 %	19.1 %	19.7%	
Acute & SNF discharges	18,923	18,923	19,013	90
Acute & SNF patient days	206,384	208,821	208,478	(343)
ALOS	10.9	11.04	10.97	(0.1)
ADC	565	572	571	(1)
Adjusted patient days	353,123	356,457	360,875	4,418
Net operating revenue per APD	\$ 2,887.37	\$ 2,886.45	\$ 2,930.31	<b>1.5%</b>
Operating expense per APD	\$ 2,823.43	\$ 2,810.38	\$ 2,829.44	<b>(0.7)%</b>
Oper income per APD	\$ 63.94	\$ 76.07	\$ 100.87	32.6%
Paid Full time equivalents	4,136	4,584	4,478	2.3%
Paid FTE's per adjusted occupiec	4.28	4.69	4.53	(3.4)%
Salaries, benefits & registry % of	66.9 %	66.2 %	66.9 %	

# Alameda Health System – Revenue & Expense Trend

(Stated in \$000's)



# Supplemental Documents



# Business Unit Performance

## FY2019 Operating Budget by Strategic Business Unit

(Stated in Thousands)

	Population		Provider		Behavioral		Support	System
	Health	Delivery	Ambulatory	Acute Care	Health	Post Acute	Services	Total
Net patient service revenue	\$ -	\$ 63,903	\$ 38,494	\$448,849	\$ 47,502	\$ 68,640	\$ -	\$ 667,388
Supplemental Revenue	1,549	38,059	49,734	150,593	23,149	8,292	118,711	390,087
<b>Net operating revenue</b>	<b>1,549</b>	<b>101,962</b>	<b>88,228</b>	<b>599,442</b>	<b>70,651</b>	<b>76,932</b>	<b>118,711</b>	<b>1,057,475</b>
Salaries and Wages	12,673	49,405	52,132	221,303	45,747	49,411	68,622	499,293
Registry & Temps	1,500	38	1,079	23,577	650	700	3,931	31,475
Employee Benefits	-	-	-	-	-	-	176,652	176,652
Contracted Physician Services	-	91,219	-	-	-	-	-	91,219
Purchased Services	3,669	4,827	2,366	14,952	977	4,160	43,047	73,998
Pharmaceuticals	-	-	1,349	26,064	398	1,365	104	29,280
Medical Supplies	-	2	3,464	25,762	108	1,730	(211)	30,855
Materials and Supplies	87	762	737	11,155	908	3,078	2,551	19,278
Outside Medical Services	4,475	-	-	-	-	-	-	4,475
General & Administrative Expenses	282	2,388	214	658	42	143	16,174	19,901
Repairs/Maintenance/Utilities	-	2	450	9,363	1,272	1,315	7,634	20,036
Building/Equipment Leases & Rentals	-	-	2,137	2,060	-	1,097	3,314	8,608
Depreciation	-	1	973	3,507	97	55	11,371	16,004
<b>Total operating expense</b>	<b>22,686</b>	<b>148,644</b>	<b>64,901</b>	<b>338,401</b>	<b>50,199</b>	<b>63,054</b>	<b>333,189</b>	<b>1,021,074</b>
<b>Operating Income</b>	<b>\$ (21,137)</b>	<b>\$ (46,682)</b>	<b>\$ 23,327</b>	<b>\$261,041</b>	<b>\$ 20,453</b>	<b>\$ 13,878</b>	<b>\$(214,478)</b>	<b>\$ 36,401</b>
Operating Margin	(1364.6)%	(45.8)%	26.4 %	43.5 %	28.9 %	18.0 %	(180.7)%	3.4 %
Collection % - NPSR	NA	21.9 %	28.7 %	18.6 %	17.5 %	24.9 %	NA	19.7 %
Average Daily Census				204	68	299		571
Visits			321,347					321,347
Paid full time equivalents (FTE)	117	313	531	1,850	351	552	765	4,478
Compensation ratio	915.0 %	48.5 %	60.3 %	40.9 %	65.7 %	65.1 %	209.9 %	66.9 %

# 2019 Summary Operating Budget - Population Health Management

## POPULATION HEALTH MANAGEMENT

<i>(Stated in \$000's)</i>	<i>FORECAST 2018</i>	<i>PROPOSED 2019</i>	<i>% Change</i>
Net patient service revenue	\$ -	\$ -	
Supplemental Revenue	1,367	1,549	13.3 %
Net operating revenue	1,367	1,549	13.3 %
Total operating expense	23,173	22,686	2.1 %
Operating Income	\$ (21,806)	\$ (21,137)	3.1 %
Operating Margin	(1,595.2)%	(1,364.6)%	230.6 %
EBIDA Margin	(1,595.2)%	(1,364.6)%	230.6 %
Paid full time equivalents (FTE)	101	117	(16.1)%
Adjusted patient days (APD)	356,457	360,875	1.2%
Expense per APD	\$ 65	\$ 63	3.3%

### Highlights:

- Added resources to stand up population health including managed care, capitation roll out and medical management infrastructure
- Addition of VP for population health
- Decreased executive health resources contract expenses through Optum

# 2019 Summary Operating Budget - Provider Delivery

## PROVIDER DELIVERY

<i>(Stated in \$000's)</i>	<i>FORECAST 2018</i>	<i>PROPOSED 2019</i>	<i>% Change</i>
Net patient service revenue	\$ 55,812	\$ 63,903	14.5 %
Supplemental Revenue	31,268	38,059	21.7 %
Net operating revenue	87,080	101,962	17.1 %
Total operating expense	130,452	148,644	(13.9)%
Operating Income	\$ (43,372)	\$ (46,682)	(7.6)%
Operating Margin	(49.8)%	(45.8)%	4.0 %
EBIDA Margin	(49.8)%	(45.8)%	4.0 %
Paid full time equivalents (FTE)	222	313	(40.7)%
Contracted Provider FTEs	TBD	TBD	
Worked Hours per RVU	920,588	952,092	3.4%

### Highlights:

- New OakCare Emergency Department contract (SLH & AHD)
- AIM contract (FMT, SNF, JGH) will renew at increased rates.
- Transition of contracted AHS Physicians to employed AHP.
- Primary Care Physicians for Alameda Primary care Clinic (opened 4/1/2018).
- New AHP Administrative Expenses (FMV, malpractice, legal & pro fees billing allocated fees)

# 2019 Summary Operating Budget - Ambulatory Care

## AMBULATORY CARE

<i>(Stated in \$000's)</i>	FORECAST 2018	PROPOSED 2019	% Change
Net patient service revenue	\$ 36,704	\$ 38,494	4.9 %
Supplemental Revenue	52,039	49,734	(4.4)%
Net operating revenue	88,743	88,228	(0.6)%
Total operating expense	58,967	64,901	(10.1)%
Operating Income	\$ 29,776	\$ 23,327	(21.7)%
Operating Margin	33.6 %	26.4 %	(7.1)%
EBIDA Margin	34.8 %	27.5 %	(7.2)%
Paid full time equivalents (FTE)	418	531	(27.0)%
Worked hours per 100 visits	270.64	291.38	(7.7)%
Clinic Visits - Traditional	307,007	321,347	4.7%
Net Operating Revenue per Visit	\$ 289	\$ 275	(5.0)%
Expense per Visit	\$ 192	\$ 202	(5.2)%
Compensation ratio	53.0 %	60.3 %	

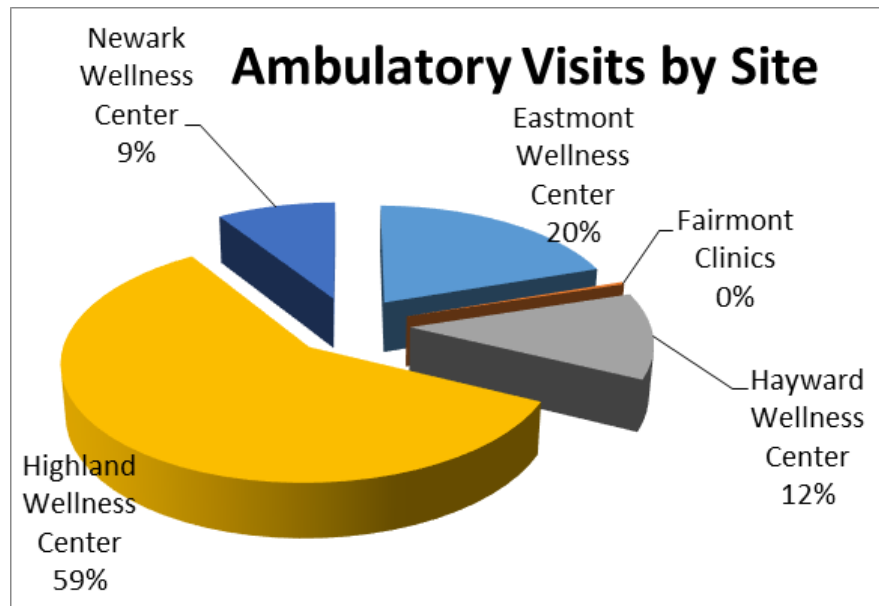
### Highlights:

- Staffing FTE based on guidelines needed to efficiently operate clinic settings and ultimately meet patient-centered medical home / pay-for-performance / capitation goals
- Ambulatory volume continue to be updated:
  - Visit volume for primary care to be at CA's FQHC median per provider; primary care will be completely capitated by end of FY 2019
  - Visit volume for specialty care to be maintained, with expansion of surgical services to Hayward being planned
- Strategic reductions in specific services

# 2019 Volume Budget – Ambulatory Visits

## CLINIC VOLUME

	PROJECTED 2018	FORECAST 2018	PROPOSED 2019	# Change	% Change
Eastmont Wellness Center	64,527	64,527	63,604	(923)	(1.4)%
Fairmont Clinics	1,125	1,470	1,153	(317)	(21.6)%
Hayward Wellness Center	35,860	35,860	38,613	2,753	7.7%
Highland Wellness Center	178,573	178,537	188,631	10,094	5.7%
Newark Wellness Center	26,613	26,613	29,346	2,733	10.3%
Traditional Ambulatory Visits	306,698	307,007	321,347	14,340	4.7%



# 2019 Summary Operating Budget - Acute Care Services

## ACUTE CARE SERVICES

<i>(Stated in \$000's)</i>	FORECAST 2018	PROPOSED 2019	% Change
Net patient service revenue	\$ 414,083	\$ 448,849	8.4 %
Supplemental Revenue	164,911	150,593	(8.7)%
Net operating revenue	578,994	599,442	3.5 %
Total operating expense	358,646	338,401	5.6 %
Operating Income	\$ 220,348	\$ 261,041	18.5 %
Operating Margin	38.1 %	43.6 %	5.5 %
EBIDA Margin	38.7 %	44.1 %	5.4 %
Paid full time equivalents (FTE)	2,313.2	1,849.7	20.0%
Paid FTEs per adjusted occupied bed	6.9	5.7	18.1%
Adjusted patient days (APD)	122,163	119,285	(2.4)%
Net Operating Revenue per APD	\$ 4,740	\$ 5,025	6.0%
Expense per APD	\$ 2,936	\$ 2,837	3.4%
Compensation ratio	44.2 %	40.9 %	

### Highlights:

- \$60 million in EPP Enhanced Payment Program and QIP Quality Improvement program
- SLH closed the 3<sup>rd</sup> floor for construction. ADC decrease to 30 and reduction in labor accordingly
- Reduction of Fast Trak hours and restructure schedules/assignments in Emergency
- Manage daily non-productive utilization
- Eliminate Nurse Residency Training Program
- Consolidation of Break RN between Units
- \$3.1 million Vizient supply chain initiative savings
- Pharmaceuticals, revise contract pricing savings - \$500,000

# 2019 Summary Operating Budget - Behavioral Health Services

## BEHAVIORAL HEALTH SERVICES

<i>(Stated in \$000's)</i>	<i>FORECAST 2018</i>	<i>PROPOSED 2019</i>	<i>% Change</i>
Net patient service revenue	\$ 63,130	\$ 47,502	(24.8)%
Supplemental Revenue	24,724	23,149	(6.4)%
Net operating revenue	87,854	70,651	(19.6)%
Total operating expense	49,274	50,199	(1.9)%
Operating Income	\$ 38,580	\$ 20,452	(47.0)%
Operating Margin	43.9 %	29.0 %	(14.9)%
EBIDA Margin	44.1 %	29.1 %	(15.0)%
Paid full time equivalents (FTE)	411	351	14.6%
Paid FTEs per adjusted occupied bed	4.08	3.44	15.7%
Behavioral Patient Days	36,832	37,254	1.1%
Net Operating Revenue per APD	\$ 2,385	\$ 1,896	(20.5)%
Expense per APD	\$ 1,338	\$ 1,347	(0.7)%
Compensation ratio	51.3 %	65.7 %	

### Highlights:

- Right sizing staff at JGPH to a more efficient model
- Building a care intake and assessment team
- Reallocation of supplemental revenue between business units



# 2019 Summary Operating Budget - Post Acute Care

## POST ACUTE CARE

<i>(Stated in \$000's)</i>	FORECAST 2018	PROPOSED 2019	% Change
Net patient service revenue	\$ 55,781	\$ 68,640	23.1 %
Supplemental Revenue	10,479	8,292	(20.9)%
Net operating revenue	66,260	76,932	16.1 %
Total operating expense	62,585	63,054	(0.7)%
Operating Income	\$ 3,675	\$ 13,878	277.6 %
Operating Margin	5.5 %	18.0 %	12.5 %
EBIDA Margin	5.8 %	18.1 %	12.3 %
Paid full time equivalents (FTE)	481	552	(14.7)%
Paid FTEs per adjusted occupied bed	1.63	1.84	(13.1)%
Patient Days	107,689	109,188	1.4%
Net Operating Revenue per APD	\$ 615	\$ 705	14.5%
Expense per APD	\$ 581	\$ 577	0.6%
Compensation ratio	74.2 %	65.1 %	

### Highlights:

- Impact of increasing revenue cycle collection – FMT Acute Rehab Census at 22.7
- Reallocation of supplemental revenue between business units
- Provision for labor contract adjustment, change in SNF regulations require 2.4 PPD for CNA and 3.5 PPD overall
- Addition of administrative support
  - Director of Clinical Operations
  - Sys Director, Rehab

# 2019 Summary Operating Budget - System Support Services

## SYSTEM SUPPORT SERVICES

<i>(Stated in \$000's)</i>	<i>FORECAST 2018</i>	<i>PROPOSED 2019</i>	<i>% Change</i>
Net patient service revenue	\$ -	\$ -	0.0 %
Supplemental Revenue	118,596	118,711	0.1 %
Net operating revenue	118,596	118,711	0.1 %
Total operating expense	318,683	333,189	(4.6)%
Operating Income	\$ (200,087)	\$ (214,478)	(7.2)%
Operating Margin	(168.7)%	(180.7)%	(12.0)%
EBIDA Margin	(159.7)%	(171.1)%	(11.3)%
Paid full time equivalents (FTE)	637	765	(20.0)%
Paid FTEs per adjusted occupied bed	0.65	0.77	(18.5)%
Adjusted patient days (APD)	356,457	360,875	1.2%
Net Operating Revenue per APD	\$ 333	\$ 329	(1.1)%
Expense per APD	\$ 894	\$ 923	(3.3)%

# 2018 Summary Operating Budget - System Support Services

	PROJECTED 2018	FORECAST 2018	PROPOSED 2019	# Change	% Change
Finance	250.61	250.61	306.45	(55.83)	(22.3)%
Human Resources	54.67	54.67	74.01	(19.34)	(35.4)%
INFO Tech	173.23	173.23	200.90	(27.67)	(16.0)%
Legal	10.18	10.18	13.50	(3.32)	(32.6)%
Care Management	7.48	7.48	9.00	(1.52)	(20.4)%
QA/Risk/Infection	22.21	22.21	30.40	(8.19)	(36.9)%
Support Services	65.85	65.85	61.02	4.84	7.3%
System Administration	19.40	19.40	24.39	(4.99)	(25.7)%
<b>Total System Support Services</b>	<b>603.64</b>	<b>603.64</b>	<b>719.65</b>	<b>(116.01)</b>	<b>(19.2)%</b>

## HIGHLIGHTS:

- E H R project implementation has begun and operational expenses allocated and capitalized to offset the impact on operations.
- The on-boarding of permanent Help Desk employees reduces purchased services and overall staff costs.
- Health Information Management reducing outside vendor costs for CDI project by employing permanent employees
- Stood up LEAN program to support Clinical Standardization work supporting E H R, QIP and other performance improvement initiatives
- Freed Associates contract has been terminated in favor of in house services for Authorization Unit and Charge Capture Reconciliation. The inpatient and outpatient functions for Patient Enrollment will be consolidated and will no longer be contracted out.
- Significant reduction in number of cell phone and pagers allocated to staff; additional oversight from leadership to manage this cost. Reduction in voice, data and landline costs for major phone carriers.
- Increase in contract for Security Services based on increase in wages on par with community and industry benchmarks

# Questions