

Midland County Hospital District



Fiscal Year 2019 Operating and Capital Budget

Approved by: Joseph Kiowski Date 8/30/18
Joseph Kiowski, President
Board of Directors



TO: Midland Memorial Hospital Finance Committee
Midland Memorial Hospital Board of Trustees
Midland County Hospital District Board of Directors

FROM: Stephen Bowerman, Chief Financial Officer

DATE: August 23, 2018

RE: FY2019 Budget Highlights

Enclosed are the proposed fiscal year 2018 operating and capital budgets for Midland County Hospital District (MCHD). We have included five exhibits that provide the major components and assumptions for these budgets. The highlights of each summary schedule are discussed below:

- I. Statistic Schedules (See Exhibit 1)
The schedule presents the estimated volumes for budget year 2019. For comparison, the statistics for fiscal year 2017 and the projected fiscal year 2018 are also presented. We expect overall volume to remain relatively flat. Surgery volume will remain consistent in 2019 with the 2018 projections. Emergency room activity is projected to increase slightly as we continue to see recoupment improvements in market share this year. Other outpatient activity has slight growth budgeted as well.
- II. Income Statements for Operations (See Exhibit 2). This schedule presents the overall revenues and expenses for the budgeted fiscal year.
 - A. Initiatives Impacting Fiscal Year 2019 Operations
 1. Volume – We have budgeted limited activity growth in Fiscal Year 2019 from our Fiscal Year 2018 activity. With slight growth in Outpatient visits and Surgery Minutes.
 2. Rate Adjustment – We have accounted for rate adjustments of 5.00% for fiscal year 2019 which will add about \$2.2 million in net patient receipts.
 3. Gov't Reimbursement – Medicare reimbursement will be increase in FY2019, with some offsets, we expect a net increase in Medicare reimbursement of approximately \$1.2 million with another \$1,000,000 budgeted related to the new bundle program, BPCI – Advance.
 4. DSH and 1115 Waiver Funding – QIPP (Nursing Homes), NAIP, Disproportionate Share Funding and the 1115 Waiver funds should be

Fiscal Year 2019
Operating & Capital Budget
Budget Highlights

flat in FY19. We continue to work on opportunities to grow our share of this money, but options are limited. In FY2019, we will have a full year of the new Uniform Hospital Rate Increase Program, increasing Medicaid payments by about 67% in FY19, worth about \$1.2 million annually to the District.

5. Market and Inflation Adjustments – Annual and market increases for all staff will equate to an overall increase of 3.5% in order to maintain market competitiveness in our economy. We have also budgeted \$725,000 for housing stipends for low income employees. We will continue to utilize an HSA/High Deductible Plan and fund along the same lines as prior years and will implement changes to the health plan to offset any forecasted growth before finalizing the January 1, 2019 plan year. Paid FTE's will increase slightly from the in Fiscal Year 2019, overtime reductions must continue to be maintained and replacement positions will be heavily scrutinized.
6. Maintenance & Operations Tax Rate – We will recommend the district adopt a tax rate above the effective tax rate for FY2019 which will decrease from \$0.101775 to \$0.100960 per \$100 valuation for 2019. This will generate \$1,992,055 in additional tax revenues and with new property added will generate \$990,443 in tax revenues.
7. Interest & Sinking Tax Rate – We will recommend the district adopt a tax rate of \$0.025198 per \$100 valuation, in order to pay principal and interest in the coming year on the general obligation bonds.
8. Combined Ad Valorem Tax Rate – The combine tax rate we are proposing for the BY2019 year is \$0.126158 per \$100 valuation for 2019, this is an increase from the effective tax rate of FY2018 by 5.64%. The current year total tax rate is \$0.129994 per \$100 valuation.
9. Non-Operating Income (Loss) activity will see remain flat with FY2018 activity.

III. Operations Summary we are projecting \$1,701,734 net operating income for Fiscal Year 2018, this is an improvement from our Fiscal Year 2018 projection by \$1.2 million and an improvement over Fiscal Year 2017 by \$4.6 million.

IV. Cash Flow (See Exhibit 4)

- A. Cash flow projections for Fiscal Year 2018 show total days cash on hand to be at 25.76. By the end of Fiscal Year 2019 we anticipate the days of cash on hand to be at 38.75.

**Fiscal Year 2019
Operating & Capital Budget
Budget Highlights**

V. Capital Budget (See Exhibit 5)

- A. Total Capital Budget for Fiscal Year 2019 - \$15,000,000. Major projects for FY2019 include improvements in Surgery with surgical video upgrades and equipment of \$2.4 million; replacement/improvements in Facilities for Air Handlers and related equipment \$4 million.**

Midland County Hospital District
 Operating Budget
 Operating Statistics
 Fiscal Year 2017, Projected Fiscal Year 2018 and Budget Year 2019

	<u>2017</u>	<u>Projected 2018</u>	<u>Budgeted 2019</u>	<u>Variance</u>	<u>Percent</u>
Admissions	11,115	10,632	10,752	120	1.1%
Adjusted Admissions	26,833	26,609	27,300	691	2.6%
Patient Days	48,564	47,857	48,332	475	1.0%
Adjusted Patient Days	117,240	119,775	122,716	2,941	2.5%
Average Length of Stay	4.37	4.50	4.50	(0.01)	(0.1%)
Average Daily Census	133.1	131.1	132.4	1.3	1.0%
Deliveries	2,343	2,385	2,402	17	0.7%
Outpatient Visits	151,921	161,052	162,896	1,844	1.1%
Inpatient Surgery Minutes	394,870	353,294	355,000	1,706	0.5%
Outpatient Surgery Minutes	409,395	447,101	448,000	899	0.2%
Emergency Visits	61,513	68,921	70,500	1,579	2.3%
Total Worked FTE's	1,522	1,552	1,573	20	1.3%
Total Paid FTE's	1,684	1,711	1,756	45	2.6%
Hospital Total CMI	1.38	1.45	1.45	-	0.0%
Worked Hours CMI Adj. Disch.	85.59	83.65	82.60	(1.05)	(1.3%)

**Midland County Hospital District
GAAP Operating Budget
Fiscal Year 2017, Projected 2018 and Budget 2019**

	<u>FY 2017</u>	<u>FY 2018 Projection</u>	<u>2019 Budget</u>	<u>Variance</u>	
<u>Patient Revenue</u>					
IP Revenue	392,252,094	406,739,255	416,744,576	10,005,321	2.46%
OP Revenue	554,701,011	611,236,915	641,380,190	30,143,275	4.93%
Gross Revenue	<u>946,953,105</u>	<u>1,017,976,170</u>	<u>1,058,124,766</u>	<u>40,148,596</u>	<u>3.94%</u>
<u>Deductions from Revenue</u>					
IP Deductions	272,680,058	290,448,372	328,148,139	37,699,767	12.98%
OP Deductions	385,608,914	423,902,714	442,409,543	18,506,829	4.37%
Bad Debts	59,864,343	76,127,276	49,427,539	(26,699,737)	(35.07%)
Charity Deductions	10,595,661	9,551,248	14,906,961	5,355,713	56.07%
Total Deductions	<u>728,748,977</u>	<u>800,029,610</u>	<u>834,892,182</u>	<u>34,862,572</u>	<u>4.36%</u>
Net Patient Revenue	218,204,128	217,946,560	223,232,584	5,286,024	2.43%
1115 Waiver/DSH/QIPP/UC/NAIP (detail next page)	32,330,017	31,167,231	32,208,551	1,041,320	3.34%
Other Operating Revenue	8,350,154	9,415,356	9,662,962	247,606	2.63%
Net Operating Revenue	<u>258,884,299</u>	<u>258,529,147</u>	<u>265,104,097</u>	<u>6,574,950</u>	<u>2.54%</u>
<u>Operating Expenses</u>					
Salaries & Wages	102,622,473	105,536,909	109,205,575	3,668,666	3.48%
Contract Labor	1,885,534	2,689,910	3,336,696	646,786	24.04%
Benefits	28,280,973	24,482,520	24,954,477	471,957	1.93%
Supplies	46,625,832	45,745,978	46,636,977	890,999	1.95%
Purchased Services	17,934,537	16,643,980	16,460,256	(183,724)	(1.10%)
Professional Fees	2,557,106	2,567,937	2,616,659	48,722	1.90%
Marketing	1,225,578	1,030,022	1,047,156	17,134	1.66%
Repairs & Maintenance	3,483,019	4,141,642	4,306,662	165,020	3.98%
Rents & Leases	3,392,737	2,588,564	1,732,218	(856,346)	(33.08%)
Utilities	4,148,590	4,160,252	4,080,917	(79,335)	(1.91%)
Insurance	612,160	634,499	634,736	237	0.04%
1115 Waiver (Private)**	25,781,122	16,058,680	15,850,000	(208,680)	(1.30%)
DI/WTT Distributions	7,095,586	7,170,032	7,038,564	(131,468)	(1.83%)
Other	2,800,042	2,894,182	3,014,205	120,023	4.15%
Total Operating Expense	<u>248,445,290</u>	<u>236,345,107</u>	<u>240,915,098</u>	<u>4,569,991</u>	<u>1.93%</u>
Operating EBITDA	10,439,009	22,184,040	24,188,999	2,004,959	9.04%
Depreciation	(22,556,261)	(23,494,119)	(25,990,630)	(2,496,511)	10.63%
Amortization	(461,497)	(466,997)	(472,831)	(5,834)	1.25%
Gain/Loss on Asset Sales	3,618,780	-	-	-	0.00%
Interest Expense	(6,772,591)	(6,564,523)	(6,128,714)	435,809	(6.64%)
	<u>(26,171,569)</u>	<u>(30,525,639)</u>	<u>(32,592,175)</u>	<u>(2,066,536)</u>	<u>6.77%</u>
Operating Income (Loss)	(15,732,560)	(8,341,599)	(8,403,176)	(61,577)	0.74%
Advalorem Taxes	29,353,487	32,126,337	34,895,076	2,768,739	8.62%
Investment Income	124,765	192,411	210,415	18,004	9.36%
Other (detail next page)*	(5,575,918)	(20,499,189)	(20,571,652)	(72,463)	0.35%
Total Other NonOperating	<u>23,902,335</u>	<u>11,819,559</u>	<u>14,533,839</u>	<u>2,714,280</u>	<u>22.96%</u>
Net Income (Loss)	<u>8,169,775</u>	<u>3,477,960</u>	<u>6,130,663</u>	<u>2,652,703</u>	<u>76.27%</u>

**Midland County Hospital District
GAAP Operating Budget
Fiscal Year 2017, Projected 2018 and Budget 2019**

	<u>FY 2017</u>	<u>FY 2018 Projection</u>	<u>2019 Budget</u>	<u>Variance</u>	
<i>Continue from prior page</i>					
Detail Other Non-Operating Expense:					
Foundation Management Fee	(1,099,999)	(1,100,000)	(1,100,000)	-	0.00%
501A-Premier Family Care*	(1,252,150)	(4,076,232)	(4,813,666)	(737,434)	18.09%
501A-Permian Cardiology, Inc.	(2,228,167)	(1,987,530)	(1,829,344)	158,186	(7.96%)
501A-Midland, Tx Orthopedic Group*	(2,481,334)	(3,116,263)	(2,626,959)	489,304	(15.70%)
501A-Midland Inpatient Medical Association*	(3,203,182)	(5,735,951)	(6,331,698)	(595,747)	10.39%
Texas Health Care Linen	240,192	147,503	225,000	77,497	52.54%
Texas Surgery Center	258,792	559,998	500,000	(59,998)	(10.71%)
TSC-MID Real Estate	584,547	128,758	-	(128,758)	(100.00%)
Continue Care (LTACH)	-	63,457	-	(63,457)	(100.00%)
HealthSouth	808,800	782,337	1,000,250	217,913	27.85%
Permian Basin Community Center	1,972,316	1,900,000	1,899,996	(4)	(0.00%)
Tobacco/Other	1,222,889	963,854	900,000	(63,854)	(6.62%)
Waiver Other Provider Expenses	(398,621)	(9,029,119)	(8,395,231)	633,888	(7.02%)
Total Other NonOperating Income (Loss)	<u>(5,575,918)</u>	<u>(20,499,189)</u>	<u>(20,571,652)</u>	<u>(72,463)</u>	<u>0.35%</u>

Detail 1115 Waiver/DSH/QIPP/UC/NAIP

DSH	8,480,127	7,901,649	8,401,649	500,000	6.33%
UC	7,514,807	8,248,767	8,790,087	541,320	6.56%
DSRIP	10,496,397	10,197,381	10,197,381	-	0.00%
NAIP	5,838,686	5,000,000	5,000,000	-	0.00%
UHRIP	-	(1,280,566)	(1,280,566)	-	0.00%
QIPP	-	1,100,000	1,100,000	-	0.00%
	<u>32,330,017</u>	<u>31,167,231</u>	<u>32,208,551</u>	<u>1,041,320</u>	<u>3.34%</u>

Midland Memorial Hospital
Operations Summary
Fiscal Year 2017, Projected 2018 and Budget 2019

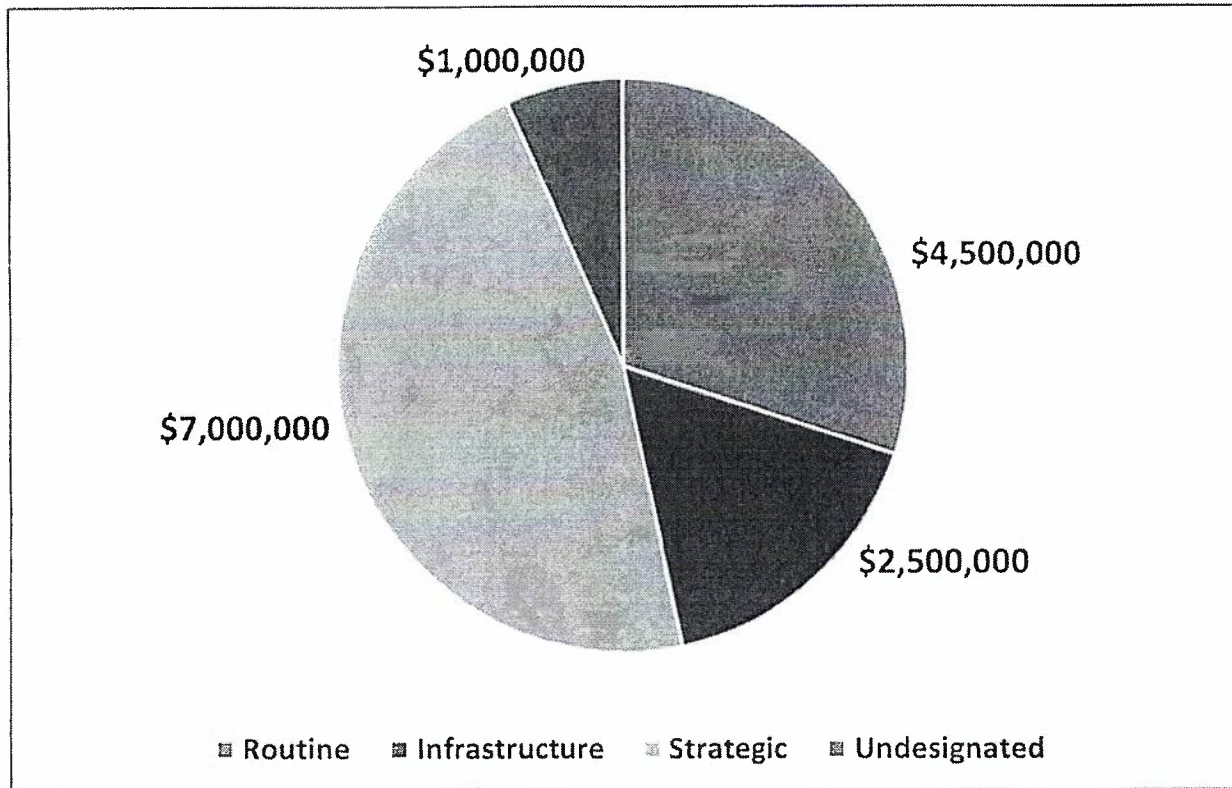
	FY 2017	FY 2018 Projection	2019 Budget	Variance	
<u>Patient Revenue</u>					
IP Revenue	392,252,094	408,739,255	416,744,576	10,005,321	2.46%
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Gross Revenue	946,953,105	1,017,976,170	1,058,124,766	40,148,596	3.94%
<u>Deductions from Revenue</u>					
IP Deductions	272,680,058	290,448,372	328,148,139	37,699,767	12.98%
OP Deductions	385,608,914	423,902,714	442,409,543	18,506,829	4.37%
Bad Debts	59,864,343	75,127,276	49,427,539	(26,699,737)	(35.07%)
Charity Deductions	10,595,661	9,551,248	14,906,961	5,355,713	56.07%
Total Deductions	728,748,977	800,029,610	834,892,182	34,862,572	4.36%
Net Patient Revenue	218,204,128	217,946,560	223,232,584	5,286,024	2.43%
Other Income	8,350,154	9,415,355	9,652,962	247,606	2.63%
Net Operating Revenues	226,554,283	227,361,915	232,895,546	5,533,630	2.43%
<u>Operating Expenses</u>					
Salaries & Wages	102,622,473	105,536,909	109,205,575	3,668,666	3.48%
Contract Labor	1,885,534	2,689,910	3,336,696	646,786	24.04%
Benefits	28,280,973	24,482,520	24,954,477	471,957	1.93%
Supplies	46,625,832	45,745,978	48,636,977	690,999	1.95%
Purchased Services	17,934,537	16,643,960	16,460,256	(163,724)	(1.10%)
Professional Fees	2,557,108	2,567,937	2,616,659	48,722	1.90%
Marketing	1,225,578	1,030,022	1,047,156	17,134	1.66%
Repairs & Maintenance	3,483,019	4,141,642	4,306,662	165,020	3.98%
Rents & Leases	3,392,737	2,588,564	1,732,218	(856,346)	(33.08%)
Utilities	4,148,590	4,160,252	4,080,917	(79,335)	(1.91%)
Insurance	612,160	634,499	634,736	237	0.04%
Interest Expense	6,772,591	6,564,523	6,128,714	(435,809)	(6.64%)
DIA and WTT distributions	7,095,586	7,170,032	7,038,564	(131,468)	(1.83%)
Other	2,800,042	2,894,182	3,014,205	120,023	4.15%
Total Operating Expense	229,436,759	228,850,950	231,193,812	4,342,862	1.91%
Net Operating Income/(Loss)	(2,882,477)	510,966	1,701,734	1,190,768	233.04%
<u>Other NonOperating Income (Loss)</u>					
501a Support	(9,164,834)	(14,915,976)	(15,601,667)	(685,691)	4.60%
Midland Memorial Inc.	1,892,331	1,616,595	1,729,250	106,655	6.59%
MMCC (LTACH Continue Care)	-	63,457	-	(63,457)	(100.00%)
Foundation Management Fee	(1,099,999)	(1,100,000)	(1,100,000)	0	0.00%
Permain Basin Community Center	1,972,316	1,900,000	1,899,996	(4)	(0.00%)
Total Other NonOperating Income (Loss)	(6,400,186)	(12,433,924)	(13,076,421)	(642,497)	5.17%
Total Net Operating Income (Loss) plus Other NonOperating Income (Loss)	(9,282,662)	(11,922,958)	(11,374,687)	548,271	(4.60%)
<u>Other Income (Expense) Federal Funding</u>					
Tobacco/Other	1,222,889	963,854	900,000	(63,854)	(6.62%)
NAIP Funding	5,638,686	5,000,000	5,000,000	0	0.00%
1115 Waiver/DSH/UC/UHRIP/QIPP	26,491,331	26,167,231	27,208,551	1,041,320	3.98%
1115 Waiver (Private)	(25,781,122)	(16,058,680)	(15,850,000)	208,680	(1.30%)
Waiver Other Provider Expenses	(398,621)	(9,029,119)	(8,395,231)	633,888	(7.02%)
Total Other Income (Expense) Federal Funding	7,373,163	7,043,286	8,663,320	1,620,034	25.84%
Ad Valorem Taxes	29,353,487	32,126,337	34,895,076	2,768,739	8.62%
Net Income (Loss)*	27,443,988	27,246,665	32,383,709	5,137,044	18.85%

*does not include depreciation, amortization, interest income, gain/loss on asset sales

**Midland County Hospital District
Cash Projections
Fiscal Year 2017, Projected 2018 and Budget 2019**

	<u>FY 2017</u>	<u>Oct-Jul 2018</u>	<u>Aug-Sep 2018</u>	<u>FY 2019</u>
Unrestricted cash available	22,015,338	28,005,556	14,848,576	11,837,416
Net Expected Collections	279,365,889	228,790,795	40,920,544	278,940,134
SWB	(132,367,966)	(112,340,547)	(19,580,000)	(135,090,550)
Professional fees	(2,573,672)	(2,625,100)	(470,000)	(2,616,659)
Purchased services	(18,778,447)	(14,801,259)	(3,503,172)	(16,460,256)
Supplies	(47,595,886)	(41,211,651)	(7,634,651)	(49,811,691)
Repairs & Maintenance	(3,570,457)	(3,383,918)	(650,578)	(4,306,662)
Rents & Leases	(3,391,174)	(2,278,440)	(392,207)	(1,732,218)
Utilities	(4,232,254)	(3,816,957)	(677,691)	(4,080,917)
1115 Waiver (Private IGT)	(16,775,254)	(19,177,828)	(1,750,000)	(19,427,828)
Other Activity	(18,767,398)	(30,049,284)	(5,786,697)	(34,304,427)
Income from operations excluding non	31,313,380	(894,190)	475,548	11,108,926
Payment for debt service (net)**	(24,267,497)	(22,721,355)	(1,679,712)	(15,064,677)
Other receipts (Ad Valorem for expenses)	22,259,680	24,734,096	193,004	27,925,288
Capital Purchases:	(23,315,344)	(14,275,531)	(2,000,000)	(15,000,000)
Ending Unrestricted cash	<u>28,005,556</u>	<u>14,848,576</u>	<u>11,837,416</u>	<u>20,806,952</u>
Days Cash on Hand*	<u>40.39</u>	<u>23.42</u>	<u>18.67</u>	<u>31.86</u>
Days Cash on Hand Cerner	<u>15.61</u>	<u>7.09</u>	<u>7.09</u>	<u>6.89</u>

Midland County Hospital District
Operating and Capital Budgets
Capital Budget



Total FY 2019 Capital Budget \$15,000,000