

LEE MEMORIAL HEALTH SYSTEM
OPERATING BUDGET
FISCAL YEAR ENDED SEPTEMBER 30, 2016

LEE MEMORIAL HEALTH SYSTEM
OPERATING BUDGET 2016

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LEE MEMORIAL HEALTH SYSTEM
OPERATING BUDGET 2016

BUDGET ASSUMPTIONS:

REVENUE	NET RATE INCREASE	5.0%
SALARIES	MERIT	3.0%
STAFFING LEVEL	FTE PER ADJUSTED OCCUPIED BED	5.27
SUPPLIES	INFLATION	1.0%
INVESTMENTS	INVESTMENT RETURN	6.4%
PROFITABILITY RATIOS	OPERATING MARGIN	4.6%
	EXCESS MARGIN	8.7%
CAPITAL EXPENDITURES	CASHFLOW FOR CAPITAL %	80.0%
	CAPITAL BUDGET	\$ 93,000,000

LEE MEMORIAL HEALTH SYSTEM
 OPERATING BUDGET 2016
 SYSTEM VOLUME SUMMARY

	FY 2014 ACTUAL	FY 2015 PROJECTED	FY 2016 BUDGET	% VARIANCE
Admissions				
ADULTS	71,147	75,650	76,802	1.5%
PEDIATRICS	4,275	4,320	4,342	0.5%
NICU	741	783	791	1.0%
POST ACUTE	1,905	2,273	2,355	3.6%
Total Adult & Peds	78,068	83,026	84,290	1.5%
NEWBORNS	5,805	6,054	6,115	1.0%
Total Admissions	83,873	89,080	90,405	1.5%
Patient Days				
ADULTS	310,733	340,687	343,048	0.7%
PEDIATRICS	13,027	13,467	13,426	-0.3%
NICU	15,656	15,622	16,274	4.2%
POST ACUTE	52,227	55,275	56,721	2.6%
Total Adult & Peds	391,643	425,051	429,469	1.0%
NEWBORNS	13,373	14,081	14,222	1.0%
Total Patient Days	405,016	439,132	443,691	1.0%
Average Length of Stay				
ADULTS	4.37	4.50	4.47	-0.8%
PEDIATRICS	3.05	3.12	3.09	-0.8%
NICU	21.13	19.95	20.57	3.1%
POST ACUTE	27.42	24.32	24.09	-1.0%
Total Adult & Peds	5.02	5.12	5.10	-0.5%
NEWBORNS	2.30	2.33	2.33	2.5%
Total Patient Days	4.83	4.93	4.91	-0.3%
OP Registrations				
EMERGENCY ROOM	191,791	198,049	200,049	1.0%
OP SURGERY CASES	17,606	17,808	17,816	0.0%
SUBTOTAL	209,397	215,857	217,865	0.7%
Visits / Encounters				
HOME HEALTH ADMISSIONS	57,880	76,959	80,490	4.6%
PHYSICIAN ENCOUNTERS	887,054	974,773	1,258,922	29.2%
TRAUMA SERVICES DISTRICT	11,584	11,931	12,166	2.0%
SUBTOTAL	956,518	1,063,663	1,351,578	27.1%
TOTAL OP	1,165,915	1,279,520	1,569,443	22.7%

LEE MEMORIAL HEALTH SYSTEM
 OPERATING BUDGET
 INCOME STATEMENT SUMMARY
 (in thousands)

	FY 2014 ACTUAL	FY 2015 PROJECTED	FY 2016 BUDGET	VARIANCE	
				FY16 BUD vs FY15 PROJ \$	%
INPATIENT REVENUE	3,247,118	3,667,407	3,905,902	238,495	6.5%
OUTPATIENT REVENUE	2,269,561	2,566,084	2,771,013	204,929	8.0%
TOTAL PATIENT REVENUE	5,516,679	6,233,491	6,676,915	443,424	7.1%
DED FROM REV-MEDICARE	2,130,960	2,447,459	2,688,183	240,724	9.8%
DED FROM REV-MEDICAID	620,210	719,812	752,793	32,981	4.6%
DED FROM REV-CHARITY	195,145	209,962	220,045	10,083	4.8%
DED FROM REV-HMO/PPO	510,807	523,949	575,330	51,381	9.8%
DED FROM REV-OTHER	567,234	700,794	745,392	44,598	6.4%
DED FROM REV-BAD DEBT	172,679	200,303	203,852	3,549	1.8%
TOTAL DED FROM REV	4,197,035	4,802,278	5,185,595	383,317	8.0%
NET PATIENT REVENUE	1,319,645	1,431,213	1,491,320	60,107	4.2%
OTHER OPER REV	44,140	60,238	42,174	(18,064)	-30.0%
TOTAL OPERATING REV	1,363,784	1,491,451	1,533,495	42,044	2.8%
OPERATING EXPENSES					
PROD SALARIES	516,282	568,479	636,283	67,804	11.9%
PROD OVERTIME	16,605	21,829	17,142	(4,687)	-21.5%
CONTRACT LABOR	887	2,380	2,589	209	8.8%
NON-PROD SALARIES	63,773	72,659	69,111	(3,548)	-4.9%
TOTAL SALARIES & WAGES	597,548	665,347	725,124	59,777	9.0%
FRINGE BENEFITS	101,036	113,170	121,096	7,926	7.0%
HEALTH CARE ACCESS	16,125	17,216	17,576	360	2.1%
SUPPLIES	248,473	281,462	284,476	3,014	1.1%
OTHER SERVICES	72,435	77,066	76,081	(985)	-1.3%
PURCHASED SERVICES	127,305	136,588	134,174	(2,414)	-1.8%
TOTAL OPER EXPENSES	1,162,924	1,290,849	1,358,527	67,678	5.2%
EBITDA	200,860	200,602	174,968	(25,634)	-12.8%
DEPRECIATION/AMORT	73,810	75,753	81,187	5,434	7.2%
INTEREST EXPENSE	26,441	23,876	23,315	(561)	-2.3%
GAIN(LOSS) FROM OPER	100,609	100,973	70,465	(30,508)	-30.2%
OPERATING MARGIN %	7.4%	6.8%	4.6%		
NON OPERATING REV					
INT EARN & REALIZED GAIN	9,850	22,808	14,480	(8,328)	-36.5%
UNREALIZED GAIN(LOSS)	33,712	(24,967)	36,852	61,819	-247.6%
OTHER NON OPER REV	13,523	18,673	17,813	(860)	-4.6%
TOTAL NON OPER REV	57,085	16,514	69,146	52,632	318.7%
EXCESS OF REV / EXPS	157,694	117,487	139,611	22,124	18.8%

LEE MEMORIAL HEALTH SYSTEM
 OPERATING BUDGET 2016
 PAYOR MIX

PAYOR MIX (BASED ON GROSS CHARGES)

	2014 ACTUAL	2015 PROJECTED	2016 BUDGET
MEDICARE	51.5%	52.2%	53.4%
MEDICAID	15.4%	15.2%	15.3%
COMMERCIAL MANAGED CARE	22.8%	23.1%	23.3%
OTHER*	10.3%	9.5%	8.0%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

*Other Payors: LMHS Employee Health Plan, State, Champus

LEE MEMORIAL HEALTH SYSTEM
 OPERATING BUDGET 2016
 FINANCIAL RATIOS

	<u>LMHS 2016 GOALS</u>	<u>A1 MOODY'S MEDIANS</u>	<u>AUDIT 2014</u>	<u>PROJ 2015</u>	<u>BUDGET 2016</u>	
PROFITABILITY RATIOS:						
OPERATING MARGIN	3.5%	3.1%	7.4%	6.8%	4.6%	+
EXCESS MARGIN	6.7%	6.3%	11.1%	7.8%	8.7%	+
OPERATING CASH FLOW MARGIN	10.7%	10.4%	16.7%	13.5%	11.4%	+
LIQUIDITY RATIOS:						
DAYS CASH ON HAND (NET OF VRDB)	239.9	225.2	247.3	249.5	243.7	+
CUSHION RATIO	16.7	19.9	17.9	15.3	16.1	+
CASH TO DEBT	139.0%	155.3%	119.2%	137.0%	140.7%	+
CAPITAL RATIOS:						
DEBT TO CAPITALIZATION(%)-(NET OF VRDB)	34.2%	32.5%	41.9%	40.6%	36.7%	(-)
ANNUAL DEBT SERVICE COVERAGE	3.9	5.4	4.6	4.6	3.6	+
DEBT TO CASHFLOW NET OF VRDB	3.8	2.9	2.3	3.3	3.7	(-)

LEE MEMORIAL HEALTH SYSTEM
 OPERATING BUDGET 2016
 CAPITAL BUDGET & CASHFLOW AVAILABLE FOR CAPITAL
 (In Thousands)

ACUTE CARE	11,599,440
SURGICAL SERVICES	7,316,583
RADIOLOGY	7,495,364
OUTPATIENT/LPG/MSO	2,773,515
POST ACUTE	457,365
SUBS & CORPORATE	1,156,678
CONTINGENCY	1,200,000
ROUTINE	<u>31,998,945</u>
FACILITIES	14,000,000
INFORMATION TECHNOLOGY	19,700,000
NEW GROWTH/PROGRAM DEVELOPMENT	27,301,055
TOTAL PROPOSED CAPITAL BUDGET 2016	<u>93,000,000</u>
CASHFLOW FROM OPERATIONS AVAILABLE FOR CAPITAL	116,225,000
	<u>80.0%</u>
EXCESS (DEFICIT)	<u><u>23,225,000</u></u>