

**Lee Health**

# **FY 2022 Operating & Capital Budgets**

**Fiscal Year Ending September 30, 2022**

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# FY 2022 Operating and Capital Budgets



## Strong Financial Results

**We will assure ongoing financial viability by lowering cost and growing revenues**

### Strategies:

- Diversify and grow revenue streams
- Optimize revenue cycle
- Advance initiatives to standardize best practices and reduce unnecessary variation

### Measures:

- Operating Margin
- Average Monthly Net Operating Revenue per FTE

# Budget Assumptions

<b>Volumes</b>	Adjusted Admissions Growth	3.0%
<b>Net Revenue</b>	Net Revenue per Adjusted Admit Growth	0.9%
<b>Expenses % of Net Operating Revenue</b>	Salaries & Benefits Includes 3% annual salary increase effective January 2022	52.5%
	Supplies	19.1%
	Purchased & Other Services	16.5%
<b>Investments</b>	Investment Return Net of Fees	4.6%
<b>Debt</b>	Average Cost of Capital	3.4%
	Includes \$75 million of new debt financed at 1.88% fixed	
<b>Profitability Ratios</b>	Operating Margin	5.0%
	Excess Margin	7.6%
<b>Capital Expenditures</b>	Capital Budget	\$156,100,000
	Cash Flow from Operations Available for Capital	44.8%

# Inpatient Volume Summary

	Actual	Projected	Budget	%
	2020	2021	2022	Variance
<b>Admissions</b>				
Acute	75,478	79,498	77,843	-2.1%
Post Acute	3,220	3,367	3,881	15.3%
Total Acute & Post Acute	78,698	82,865	81,724	-1.4%
Newborns	6,043	6,130	6,131	0.0%
<b>Total Admissions</b>	<b>84,741</b>	<b>88,995</b>	<b>87,855</b>	<b>-1.3%</b>
<b>Patient Days</b>				
Acute	377,014	411,002	372,620	-9.3%
Post Acute	68,180	65,963	82,235	24.7%
Total Acute & Post Acute	445,194	476,965	454,855	-4.6%
Newborns	11,368	11,230	11,232	0.0%
<b>Total Patient Days</b>	<b>456,562</b>	<b>488,195</b>	<b>466,087</b>	<b>-4.5%</b>
<b>Average Length of Stay</b>				
Acute	5.00	5.17	4.79	-7.4%
Post Acute	21.17	19.59	21.19	8.2%
Total Acute & Post Acute	5.66	5.76	5.57	-3.3%
Newborns	1.88	1.83	1.83	0.0%
<b>Total Average Length of Stay</b>	<b>5.39</b>	<b>5.49</b>	<b>5.31</b>	<b>-3.3%</b>
<b>Short Stay Days (OBS Days)</b>	<b>56,856</b>	<b>64,081</b>	<b>62,480</b>	<b>-2.5%</b>
<b>Average Daily Census</b>	<b>1,372</b>	<b>1,482</b>	<b>1,417</b>	<b>-4.4%</b>

*Includes IP and OBS days*

# Outpatient Volume Summary

	Actual	Projected	Budget	%
	2020	2021	2022	Variance
<b>OP Registrations</b>				
Emergency Room Visits	214,540	247,438	230,798	-6.7%
OP Surgery Cases	29,155	32,233	32,717	1.5%
<b>Subtotal</b>	<b>243,695</b>	<b>279,671</b>	<b>263,515</b>	<b>-5.8%</b>
<b>Visits / Encounters</b>				
Home Health Visits	83,517	78,881	92,889	17.8%
Physician Encounters	1,554,890	1,684,100	1,750,860	4.0%
Trauma Service District	13,749	14,629	13,700	-6.4%
<b>Subtotal</b>	<b>1,652,156</b>	<b>1,777,610</b>	<b>1,857,449</b>	<b>4.5%</b>
<b>OP Center Procedures</b>	<b>836,105</b>	<b>993,300</b>	<b>1,033,438</b>	<b>4.0%</b>
<b>Total Outpatient</b>	<b>2,731,956</b>	<b>3,050,581</b>	<b>3,154,402</b>	<b>3.4%</b>

# Net Revenue/Reimbursement Assumptions

- Overall net revenue rate increase of 0.9% per adjusted admit:
  - Medicare DSH loss at GCMC of \$7 million
  - Uncompensated Care Pool reduction of \$2.5 million
  - Medicaid rates will remain neutral with the exception of the Trauma add-on payment which will decrease after relocation to GCMC estimated between \$5 to \$7 million
  - Commercial rate increases through contract negotiations and revenue cycle continuous improvements and technology advances estimated at 5%
- Value Based Payments:
  - Medicare ACO Shared Savings of \$4.1 million
  - Gain on Medicare Bundles of \$2.5 million
  - Medicare Readmission penalties of -\$1.3 million
  - Merit-Based Incentive Program (MIPs) factored in at +1.86% adjustment for qualified professional services

# Expense Assumptions

- FTEs per Adjusted Occupied Bed (AOB) at 5.21:
  - FY21 YTD July at 4.83
  - Additional 943 FTEs from YTD July
  - Includes Provider Recruitment of 129 new Providers in FY 2022
- Average hourly rate reflects:
  - Living Wage Rate Increase & various nursing job code market adjustments
  - Across-the-board 3% compensation increase in January
- Benefits:
  - No premium increase on Employee Health Plan
  - Restoration of 403B match from 4% to 5%
- Supply cost per Adjusted Patient Day -1.5% to Projected FY21:
  - Drug expense +5% - inflation, growth in Specialty Pharmacy and reductions in Remdesivir utilization
  - Medical Supply -3% - reduction of COVID impact
- Purchased Services and Other Expense +7%

# Statement of Operations

(in thousands)

	Actual	Projected	Budget	Variance	
	2020	2021	2022	Budget to Projection	
<b>Patient Revenue</b>					
<b>Net Patient Revenue</b>	1,956,992	2,218,387	2,305,707	87,320	3.9%
Other Operating Revenue	106,239	172,955	184,772	11,817	6.8%
<b>Total Operating Revenue</b>	<b>2,063,231</b>	<b>2,391,342</b>	<b>2,490,480</b>	<b>99,137</b>	<b>4.1%</b>
<b>Operating Expenses</b>					
Salaries & Wages	987,647	1,044,913	1,124,458	79,545	7.6%
Employee Benefits	156,694	166,141	183,975	17,834	10.7%
Supplies	388,854	484,848	475,737	(9,111)	-1.9%
Purchased Services	222,872	221,828	232,139	10,311	4.6%
Other Services	143,782	162,253	178,548	16,295	10.0%
<b>Total Operating Expenses</b>	<b>1,899,849</b>	<b>2,079,983</b>	<b>2,194,857</b>	<b>114,874</b>	<b>5.5%</b>
Depreciation & Amortization	131,207	137,319	142,341	5,022	3.7%
Interest	29,531	29,723	30,001	278	0.9%
<b>Gain From Operations</b>	<b>2,645</b>	<b>144,317</b>	<b>123,280</b>	<b>(21,037)</b>	<b>-14.6%</b>
<b>Non Operating Revenue</b>	<b>126,375</b>	<b>181,938</b>	<b>70,975</b>	<b>(110,964)</b>	<b>-61.0%</b>
<b>Excess of Revenue over Expenses</b>	<b>129,019</b>	<b>326,255</b>	<b>194,254</b>	<b>(132,000)</b>	<b>-40.5%</b>
Operating Margin %	0.1%	6.0%	5.0%	-1.1%	-18.0%





# Financial Ratios

	Moody's Medians		System Goals	Actual	Projected	Budget
	A		2022	2020	2021	2022
<b>Profitability Ratios:</b>						
Operating Margin	2.7%	+	5.0%	0.1%	6.0%	5.0%
Excess Margin	5.2%	+	7.6%	5.9%	12.7%	7.6%
Operating Cashflow Margin	8.7%	+	12.3%	7.9%	13.0%	11.9%
<b>Liquidity Ratios:</b>						
Days Cash on Hand	215.1	+	274.9	280.1	281.7	270.5
Cushion Ratio	23.5	+	19.0	18.5	20.0	19.3
Cash-to-Debt	176.8%	+	180.0%	162.6%	188.6%	186.1%
<b>Liquidity Ratios:</b>						
Debt-to-Capitalization	30.9%	(-)	28.9%	34.4%	29.5%	28.2%
Annual Debt Service Coverage	5.5	+	4.0	3.3	4.9	4.1
Debt-to-Cash Flow	2.7	(-)	3.1	4.2	2.5	3.0

Note:

+ = Ratios that should be above the Moody's median

(-) = Ratios that should be lower than the Moody's median

**Thank You**



# Capital Budget & Cash Flow

## Routine

Acute Care	19,603,677
Lab Services	1,585,720
Subs & Corporate	564,783
HPCC/SNU	109,470
Rehab Hospital	108,732
Home Health	-
Outpatient Centers	5,947,768
LPG/MSO	2,700,000
Surgical Services	15,111,903
Sterile Processing (SPD)	1,175,500
Radiology	6,857,332
Contingency	1,500,000
<b>Routine</b>	<b>55,264,885</b>
<b>Facilities</b>	<b>20,000,000</b>
<b>Information Systems</b>	<b>15,000,000</b>
<b>Strategic Growth Capital</b>	<b>65,835,115</b>

## Total Proposed Capital Budget FY 2022

**156,100,000**

Cash Flow from Operations Available for Capital

348,104,768

Capital Budget as a % of Cash Flow

44.8%



**Thank You**

