

Lee Health

FY 2022 Operating & Capital Budgets

Fiscal Year Ending September 30, 2022

Ben Spence, Chief Financial and Business Services Officer
Patty Duquette, VP of Financial Services
Laura Vannarath, Controller

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

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

Inpatient Volume Summary

	Actual	Projected	Budget	%
	2020	2021	2022	Variance
Admissions				
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%
Total Admissions	84,741	88,995	87,855	-1.3%
Patient Days				
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%
Total Patient Days	456,562	488,195	466,087	-4.5%
Average Length of Stay				
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%
Total Average Length of Stay	5.39	5.49	5.31	-3.3%
Short Stay Days (OBS Days)	56,856	64,081	62,480	-2.5%
Average Daily Census	1,372	1,482	1,417	-4.4%

Includes IP and OBS days

Outpatient Volume Summary

	Actual	Projected	Budget	%
	2020	2021	2022	Variance
OP Registrations				
Emergency Room Visits	214,540	247,438	230,798	-6.7%
OP Surgery Cases	29,155	32,233	32,717	1.5%
Subtotal	243,695	279,671	263,515	-5.8%
Visits / Encounters				
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%
Subtotal	1,652,156	1,777,610	1,857,449	4.5%
OP Center Procedures	836,105	993,300	1,033,438	4.0%
Total Outpatient	2,731,956	3,050,581	3,154,402	3.4%

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	
Patient Revenue					
Net Patient Revenue	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%
Total Operating Revenue	2,063,231	2,391,342	2,490,480	99,137	4.1%
Operating Expenses					
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%
Total Operating Expenses	1,899,849	2,079,983	2,194,857	114,874	5.5%
Depreciation & Amortization	131,207	137,319	142,341	5,022	3.7%
Interest	29,531	29,723	30,001	278	0.9%
Gain From Operations	2,645	144,317	123,280	(21,037)	-14.6%
Non Operating Revenue	126,375	181,938	70,975	(110,964)	-61.0%
Excess of Revenue over Expenses	129,019	326,255	194,254	(132,000)	-40.5%
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
Profitability Ratios:						
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%
Liquidity Ratios:						
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%
Liquidity Ratios:						
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
Routine	55,264,885
Facilities	20,000,000
Information Systems	15,000,000
Strategic Growth Capital	65,835,115

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

