

REQUEST FOR BOARD ACTION

**HENDERSON COUNTY
BOARD OF COMMISSIONERS**

MEETING DATE: September 16, 2015

SUBJECT: Pardee Hospital Budget Presentation

PRESENTER: Alan House, Vice President Finance/CFO

ATTACHMENTS: Yes
1. FY 2016 Operating and Capital Budget

SUMMARY OF REQUEST:

Alan House, from Margaret R. Pardee Memorial Hospital (Henderson County Hospital Corporation) has submitted the organization's proposed budget for FY2016 as approved by the Board Finance Committee, to the Board of Commissioners as required by the Corporation's bylaws.

BOARD ACTION REQUESTED:

No action is requested. The presentation is for information purposes.

Suggested Motion:

No motion suggested.



Margaret R. Pardee Memorial Hospital
800 North Justice Street, Hendersonville, NC 28791
www.pardeehospital.org

August 19, 2015

TO: Tommy Thompson Chairman – Henderson County Commissioners
Charlie Messer, Vice Chair
William Lapsley
Grady Hawkins
Michael Edney

FROM: Alan House, Vice President Finance/CFO

RE: Henderson County Hospital Corporation Proposed FY2016 Budget

As required by the Henderson County Hospital Corporation bylaws, please find enclosed a copy of the organization's proposed budget for FY2016 as approved by the Board Finance Committee on 08/18/2015.

Please feel free to contact me at alan.house@pardeehospital.org or 696-1129 should you have questions or require additional information.

cc: Steve Wyatt, County Manager
Carey McLelland, Finance Director
James M. Kirby II, President/CEO

**HCHC (Pardee)
FY 2016 Operating & Capital Budget**

**Provided To
Henderson County Commissioners
08/19/15**



FY16 Budget Timeline

- 08/05/15** **Physician Network/Urgent Care Board Review & Approval**
Action: Approved & recommended for approval to HCHC Finance Committee
- 08/18/15** **HCHC Finance Committee Meeting**
Action: Approved as revised and follows, and recommended for approval to HCHC Board
- 08/19/15** **Forward copy of budget to County Commissioners**
- 08/26/15** **HCHC Board Meeting**
Action: Will request approval

FY16 Operating & Capital Budget Summary and Key Assumptions

- ✓ Break-even Consolidated Net Operating Margin
- ✓ Total Margin of \$3.9M or 1.9%
- ✓ Average charge increase not to exceed an average of 5%, effective 10/1/15
- ✓ Salary (merit) increase will not exceed an average of 2.5%, effective 4/1/16
contingent on market conditions and financial performance
- ✓ Assumes break-even for Carolina Value (\$3.9M in benefits and \$3.9M in costs)
- ✓ EPIC and Lawson costs as previously presented and approved by Board 5/27/15
- ✓ Cash flow of \$(2.2M) with borrowing of \$12.0M
- ✓ Capital will not exceed \$25.5M

FY16 Budget Key Hospital Operating Statistics

	FY 2014	FY 2015P	FY 2016B	FY15-16
Admissions (Adult)	6,801	7,596	8,214	618
Patient Days	26,768	29,601	31,746	2,145
ADC	73.3	81.1	86.7	5.9
ALOS (acute only)	3.9	3.9	3.9	3.5
Deliveries	298	316	300	(16)
ER Visits	30,685	30,784	30,986	202
Physician Visits	90,081	101,680	122,640	20,960
Surgical Cases: IP	1,516	1,589	2,207	618
Surgical Cases: OP	5,725	5,671	6,658	987
Total Surgical Cases	<u>7,241</u>	<u>7,260</u>	<u>7,577</u>	<u>1,605</u>
Endoscopy Cases	2,307	2,327	2,402	75
Pain Mgmt Cases	5,268	6,965	7,854	889
MRI Scans	5,191	5,248	5,248	-
CT Scans	15,078	15,516	15,578	62
				8.13%
				7.25%
				7.25%
				-5.06%
				0.66%
				20.61%
				38.86%
				17.41%
				22.11%
				3.24%
				12.76%
				0.00%
				0.40%

FY16 Budgeted Operating Margin 0.0%

(\$ in Thousands)

	FY 2014 Actual	FY 2015 Projected	FY 2016 Budget
Operating Revenue			
Net Patient Service Revenue	\$ 145,639	\$ 165,316	\$ 204,223
Other Operating Revenue	4,451	4,545	4,150
Net Operating Revenue	<u>150,090</u>	<u>169,861</u>	<u>208,373</u>
Operating Expense			
Salaries, Wages & Benefits	78,204	81,856	98,171
Medical & Other Supplies	38,614	41,544	53,133
Contract Fees	11,398	13,443	20,477
Rental and Leases	3,315	4,000	4,875
All Other Expenses	15,081	14,829	21,963
Depreciation	9,523	9,472	9,702
Total Operating Expenses	<u>156,135</u>	<u>165,144</u>	<u>208,321</u>
Operating Income	(6,045)	4,717	52
	-4.0%	2.8%	0.0%
Non-Operating Income	1,985	3,767	3,881
Excess Revenues Over Expense	<u>\$ (4,060)</u>	<u>\$ 8,484</u>	<u>\$ 3,933</u>
	-2.7%	5.0%	1.9%

FY16 Budget – Before and After EPIC

(\$ in Thousands)

	FY 2016 HCHC Pre-EPIC	FY 2016 EPIC	FY 2016 HCHC Budget
Operating Revenue			
Net Patient Service Revenue	\$ 204,223	\$ -	\$ 204,223
Other Operating Revenue	4,150	-	4,150
Net Operating Revenue	<u>208,373</u>	<u>-</u>	<u>208,373</u>
Operating Expense			
Salaries, Wages & Benefits	95,847 46.0%	2,324	98,171 47.1%
Medical & Other Supplies	53,133	-	53,133
Contract Fees	18,948	2,529	21,477
Rental and Leases	4,875	-	4,875
All Other Expenses	20,803	160	20,963
Depreciation	9,702	-	9,702
Total Operating Expenses	<u>203,308</u>	<u>5,013</u>	<u>208,321</u>
Operating Income	5,065 2.4%	(5,013)	52 0.0%
Non-Operating Income	3,881	-	3,881
Excess Revenues Over Expense	<u>\$ 8,946 4.3%</u>	<u>\$ (5,013)</u>	<u>\$ 3,933 1.9%</u>

FY16 Operating Cash Flow To Capital Spend

(\$ in Thousands)

Operating Revenue		
Operating Expense		
Income From Operations		
Plus: Depreciation		
		FY 2016
	\$	208,373
		208,321
		52
		9,702

	Principal	Interest
Less: Existing Bond Debt	1,229	\$ 250
New Debt (1/2 year)	307	70
Existing Cap Leases	1,151	96
New Cap Leases	218	32
	2,905	448
		(3,353)
		6,401

Cash Provided By Operations

Plus: Foundation	5,000	\$ 650	4,350
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Plus: Debt Issue	12,000	\$ 100	11,900
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Total Cash Provided 22,651

Capital Cash Spend

Capital Planning Model	25,458
Less: OR Equip Lease Non-cash	620
Excess Cash Provided	\$ (2,187)



FY16 Capital Budget Summary

(\$ in Thousands)

<u>Capital Item Description</u>	<u>FY 2016</u>	
FY16 Capital Planning Model - Facility Projects		
MPHC	\$ 5,120	Strategic
Cancer Center remaining 75% of \$9,350	4,763	Strategic
SMFP Projects	7,300	Strategic
Cancer Center parking 75% of \$1,700	1,275	Strategic
Sub-Total Facility Projects	<u>18,458</u>	
Routine over \$250K		
OR Integration	870	Facilities
PACS	490	New Service
Mammography	386	New Service
MRI Construction for new leased MRI	351	Replacement
Boiler	350	Obsolescence
Engineering Upfit	325	Facilities
Contingency	750	As Needed
All other routine equipment	3,478	Various
Sub-Total Routine Capital Dollars Requested	<u>7,000</u>	
Total Capital Dollars Requested	<u>\$ 25,458</u>	