
Norman Regional Health System FY 2013 Budget Presentation

FY 2012 Financial Results

- Volumes
 - Discharges projected to be up 1.7% from FY11
 - Hospital outpatient volume projected to be up 3.2% from FY11
 - Adjusted discharges projected to be up 12.1% from FY11
 - Emergency Department visits projected to be up 1.4% from FY11
 - Surgery cases projected to be up 3.1% from FY11
 - Cath Lab cases projected to be up 11.6% from FY11
- Net Revenue projected at \$327.1 million
 - \$40.1 million (or 14.0%) over FY11
 - Per adjusted discharge projected to be \$8,894 (or 1.7% over FY11)
- Total Operating Expenses projected at \$316.5 million
 - \$29.7 million (or 10.4%) over FY11
 - Per adjusted discharge projected to be \$8,605 (or 1.6% below FY11)

FY 2012 Financial Results (continued)

- FY 2012 Income from Operations projected at \$10.6 million
 - \$10.4 million (or 4578.8%) over FY11
 - \$ 5.3 million (or 99.1%) over FY12 budget
- System productive FTEs per AOB projected to decline from 5.05 to 4.98 (a 1.4% improvement in efficiency over FY11)
- Days Cash on Hand improved from 126.1 to a projected 130.1
- Net Days in A/R declined from 55.7 to a projected 54.5
- Maximum Annual Debt Service Coverage improved from 2.02 to a projected 2.42
- Moody's Investors Service upgraded long-term rating from Ba1 to Baa3 and also revised their outlook from stable to positive

FY 2013 Financial Goals

- Meet or exceed budgeted target operating margin of 2.5%.
 - Meet or exceed budgeted volume growth of 2.6% in adjusted discharges
 - Operate at or below budgeted costs per adjusted discharge of \$8,903
 - Operate at or below budgeted FTE's per AOB of 4.9 (system productive)
- Continue to strengthen balance sheet
 - Increase Days Cash on Hand to 134.0 or higher by June 30, 2013
 - Decrease Net Days in Net Accounts Receivable to 49.0 or lower by June 30, 2013
 - Improve Maximum Annual Debt Service Coverage from 2.42 to 2.46

FY 2013 Budget Highlights

- Volumes
 - Inpatient discharges expected to grow 1.5%, or 260 cases more than FY 2012 projection
 - Hospital outpatient visits (including E.D. visits) expected to grow 3.3%, or 8,837 visits more than FY 2012 projection
 - Adjusted discharges expected to grow 2.6%, or 944 cases more than FY 2012 projection
- Net Revenue and Total Operating Expense per Adjusted Discharge
 - Net revenue per adjusted discharge budgeted to increase \$237 per case (or 2.7%) over FY 2012 projection
 - Total Operating Expense per adjusted discharge budgeted to increase \$298 per case (or 3.5%) over FY 2012 projection
- FTEs per AOB
 - System productive FTEs per AOB budgeted at 4.91 compared to FY 2012 projected of 4.98 (a 2.7 % improvement in efficiency)
 - Hospital-based productive FTEs per AOB budgeted at 4.51 compared to FY 2012 projected of 4.64 (a 1.3 % improvement in efficiency)

FY 2013 Budget Highlights (continued)

- Total Net Revenue is budgeted to be \$344.5 million, or \$17.4 million more than FY 2012 projected
 - \$10.4 million results from facility related volume
 - \$ 5.2 million from additional neurosurgery cases
 - \$ 7.2 million from increased outpatient volume
 - \$(2.0) million reduction due to decrease in Disproportionate Share payments in FY 13
 - \$ 4.8 million results from clinic related volume
 - \$ 2.2 million results from the following:
 - \$1.0 million from a charge increase
 - \$1.2 million from improved insurance reimbursement rates

FY 2013 Budget Highlights (continued)

- Total Operating Expense budgeted to be \$335.9 million, or \$19.3 million more than FY 2012 projected
 - \$7.63 million relates to volume
 - \$3.40 million relates to anticipated salary increases and potential market adjustments
 - \$2.74 million relates to operating costs associated with increased neurosurgery volume
 - \$1.89 million relates to inflation and new device tax on supplies
 - \$0.95 million relates to fees for neurosurgery contract
 - \$0.78 million relates to collection of increased facility and clinic revenue
 - \$0.69 million relates to additional costs for Meaningful Use and other quality initiatives
 - \$0.60 million relates to increased advertising and marketing, insurance, travel, and physician education
 - \$0.57 million relates to ICD-10 conversion preparations (\$400k consulting, \$170k contract labor)

FY 2013 Budget Highlights (continued)

- Operating Income budgeted at \$8.6 million (2.5% operating profit margin)
- Excess of Revenues over Expenses budgeted at \$13 million (3.7% profit margin)
- Capital expenditures budgeted at \$13.5 million for FY 2013

FY 2013 Operating Budget

Norman Regional Health System

	<u>FY 2013 Budget</u>	<u>FY 2012 Projected</u>	<u>Variance % Incr/(Decr)</u>
OPERATING REVENUE			
(1) Inpatient Revenue	\$ 638,720,207	\$ 602,744,720	6.0%
(2) Outpatient Revenue	641,158,031	596,431,709	7.5%
(3) Other Outpatient Revenue	9,856,720	9,297,673	6.0%
(4) Clinic Income	65,163,881	56,603,908	15.1%
(5) TOTAL PATIENT REVENUE	<u>\$ 1,354,898,839</u>	<u>\$ 1,265,078,010</u>	7.1%
DEDUCTIONS FROM REVENUE			
(6) Charity Deductions	40,114,990	37,248,191	7.7%
(7) Bad Debt Expense	64,236,924	59,528,267	7.9%
(8) Government & Other Deductions	914,080,541	849,401,781	7.6%
(9) TOTAL DEDUCTIONS FROM REVENUE	<u>\$ 1,018,432,455</u>	<u>\$ 946,178,239</u>	7.6%
(10) NET PATIENT REVENUE	336,466,384	318,899,771	5.5%
(11) OTHER OPERATING REVENUE	8,005,709	8,247,798	-2.9%
(12) NET REVENUE	<u>\$ 344,472,093</u>	<u>\$ 327,147,569</u>	5.3%
EXPENSES			
(13) Salaries	143,906,249	135,020,054	6.6%
(14) Benefits	25,203,589	24,215,174	4.1%
(15) Supplies	64,585,253	59,890,478	7.8%
(16) Professional Fees	2,177,060	2,127,800	2.3%
(17) Physician Fees	7,353,983	6,102,083	20.5%
(18) Purchased Services	16,628,818	15,156,600	9.7%

FY 2013 Operating Budget (continued)

Norman Regional Health System

	<u>FY 2013 Budget</u>	<u>FY 2012 Projected</u>	<u>Variance % Incr/(Decr)</u>
(19) Leases	4,520,060	4,004,642	12.9%
(20) Utilities	4,702,151	4,324,909	8.7%
(21) Insurance	4,752,025	4,610,548	3.1%
(22) Computer services	4,112,218	3,718,842	10.6%
(23) Dues and Subscriptions	1,602,795	893,165	79.5%
(24) Service Contracts	3,093,164	2,993,833	3.3%
(25) Recruitment	1,566,990	1,538,849	1.8%
(26) Billing & Collections	3,724,564	3,442,094	8.2%
(27) SHOPP	7,751,124	7,778,985	-0.4%
(28) Miscellaneous	5,288,875	5,058,587	4.6%
(29) Interest	11,413,959	11,532,527	-1.0%
(30) Depreciation and Amortization	23,487,748	24,124,122	-2.6%
(31) TOTAL OPERATING EXPENSES	<u>\$ 335,870,626</u>	<u>\$ 316,533,292</u>	6.1%
(32) OPERATING INCOME	\$ 8,601,467	\$ 10,614,277	
(33) Contributions	65,000	270,000	
(34) Investment Income	4,337,108	(1,895,116)	
(35) NONOPERATING INCOME	<u>\$ 4,402,108</u>	<u>\$ (1,625,116)</u>	-370.9%
(36) EXCESS OF REVENUES OVER EXPENSES	<u>\$ 13,003,575</u>	<u>\$ 8,989,161</u>	44.7%

FY 2013 Budgeted Volumes

	Discharges			Patient Days			ALOS		
	FY 2012	FY 2013	FY12 to	FY 2012	FY 2013	FY12 to	FY 2012	FY 2013	%
	Projected	Budget	Incr/Decr	Projected	Budget	Incr/Decr	Projected	Budget	Incr/Decr
Porter Campus									
(1) BMS	713	778	9.12%	4,246	5,446	28.26%	5.96	7.00	17.55%
(2) Rehab	454	476	4.85%	5,434	5,669	4.32%	11.97	11.91	-0.50%
(3) Acute	9,016	9,035	0.21%	39,812	39,346	-1.17%	4.42	4.35	-1.38%
(4) Total	10,183	10,289	1.04%	49,492	50,461	1.96%	4.86	4.90	0.91%
HealthPlex Campus									
(5) Acute	5,511	5,641	2.36%	16,380	16,713	2.03%	2.97	2.96	-0.32%
(6) NICU	288	303	5.21%	3,722	3,881	4.27%	12.92	12.81	-0.89%
(7) Total	5,799	5,944	2.50%	20,102	20,594	2.45%	3.47	3.46	-0.05%
Total Porter/HealthPlex									
(8) BMS	713	778	9.12%	4,246	5,446	28.26%	5.96	7.00	17.55%
(9) Rehab	454	476	4.85%	5,434	5,669	4.32%	11.97	11.91	-0.50%
(10) Acute	14,527	14,676	1.03%	56,192	56,059	-0.24%	3.87	3.82	-1.25%
(11) NICU	288	303	5.21%	3,722	3,881	4.27%	12.92	12.81	-0.89%
(12) Total	15,982	16,233	1.57%	69,594	71,055	2.10%	4.35	4.38	0.52%
MMC									
(13) Acute	1,543	1,552	0.58%	3,803	3,796	-0.18%	2.46	2.45	-0.76%
(14) Total	1,543	1,552	0.58%	3,803	3,796	-0.18%	2.46	2.45	-0.76%
Total System									
(15) Acute	16,070	16,228	0.98%	59,995	59,855	-0.23%	3.73	3.69	-1.20%
(16) BMS	713	778	9.12%	4,246	5,446	28.26%	5.96	7.00	17.55%
(17) Rehab	454	476	4.85%	5,434	5,669	4.32%	11.97	11.91	-0.50%
(18) NICU	288	303	5.21%	3,722	3,881	4.27%	12.92	12.81	-0.89%
(19) Total	17,525	17,785	1.48%	73,397	74,851	1.98%	4.19	4.21	0.49%

FY 2013 Budgeted Volumes

	FY 2012 Projected	FY 2013 Budget	% Incr/Decr
Adjusted Statistics			
(1) Patient Days	154,050	158,779	3.07%
(2) Discharges	36,783	37,727	2.57%
Emergency Department			
ER Admits			
(3) NRH	8,130	8,560	5.29%
(4) HealthPlex	2,806	2,948	5.06%
(5) Total NRH/HPX	10,936	11,508	5.23%
(6) MMC	1,642	1,579	-3.84%
(7) Total	12,578	13,087	4.05%
ER Visits (Includes ED Admissions)			
(8) NRH	56,842	58,387	2.72%
(9) HealthPlex	20,006	21,900	9.47%
(10) Total NRH/HPX	76,848	80,287	4.48%
(11) MMC	33,179	32,764	-1.25%
(12) Total	110,027	113,051	2.75%
Deliveries			
(13) HealthPlex	2,317	2,440	5.31%
(14) MMC	670	711	6.12%
(15) Total	2,987	3,151	5.49%

	FY 2012 Projected	FY 2013 Budget	% Incr/Decr
OP Registrations			
Hospital			
(16) NRH	161,545	166,732	3.21%
(17) HealthPlex	40,909	43,648	6.70%
(18) Total NRH/HPX	202,454	210,380	3.91%
(19) MMC	62,069	62,980	1.47%
(20) Total	264,523	273,360	3.34%
Other			
(21) Clinics	141,971	187,840	32.31%
(22) EMSStat	13,327	13,996	5.02%
Surgeries (excluding FBC Surgeries)			
IP			
(23) NRH	2,602	2,835	8.95%
(24) HealthPlex	1,480	1,464	-1.08%
(25) Total NRH/HPX	4,082	4,299	5.32%
(26) MMC	229	218	-4.80%
(27) Total	4,311	4,517	4.78%
OP			
(28) NRH	3,552	3,972	11.82%
(29) HealthPlex	2,844	2,963	4.18%
(30) Total NRH/HPX	6,396	6,935	8.43%
(31) MMC	949	999	5.27%
(32) Total	7,345	7,934	8.02%