

Norman Regional Health System
FY 2018 Budget Presentation
To City of Norman



FY 2017 Projected Financial Results

- **Net Revenue projected at \$379.5 million**
 - \$2.4 million (or 0.6%) up from FY16
- **Total Operating Expense projected at \$373.8 million**
 - \$15.6 million (or 4.4%) up from FY16
- **FY 2017 Income from Operations projected at \$5.7 million (1.5% operating margin)**
 - \$13.3 million (or 69.9%) under FY16
- **Key Ratios**
 - Operating Margin will decline from 5.0% for FY 2016 to a projected 1.5% for FY 2017
 - Maximum Annual Debt Service Coverage will decline from 3.3 for FY 2016 to a projected 3.2 for FY 2017
 - Days Cash on Hand will improve from 194.4 at June 30, 2016, to a projected 211.4 at June 30, 2017



FY 2018 Budget Goals

- **Achieve Board target of 4% operating margin**
- **Grow volumes in accordance with strategic plan**
- **Improve labor efficiency**
- **Continue building financial strength in support of long term goals**



FY 2018 Budget Highlights

- **Volumes**

- Inpatient discharges expected to grow 2.9%, or 460 cases more than FY 2017 projection
- Hospital outpatient visits expected to increase 2.7%, or 7,296 visits from FY 2017 projection

- **Net Revenue**

- Net Patient Revenue budgeted to be \$410.9 million for FY 2018, or 9.6% (\$36.0 million) more than FY 2017 projection
- Other Operating Revenue budgeted to be \$5.0 million for FY 2018, or 6.0% more than the FY 2017 projection

- **Total Operating Expense**

- Budgeted to be \$399.2 million for FY 2018, or 6.8% (\$25.4 million) more than FY 2017 projection

- **Profitability**

- Operating Income budgeted at \$16.6 million (4.0% operating profit margin)
- Excess of Revenues over Expenses budgeted at \$23.4 million (5.5% overall profit margin)

- **Target for Capital and Cash Reserves**

- Routine Capital Budget request is \$14 million
- Days Cash on Hand target for June 30, 2018 is 217 days

- **Target Debt Ratios**

- Maximum Annual Debt Service Coverage for FY 2018 is expected to be 4.2
- Cash and Investments to Debt Ratio as of June 30, 2018 is expected to be 129.5%
- Debt to Capitalization Ratio as of June 30, 2018 is expected to be 36.1%



FY 2018 Operating Budget

Norman Regional Health System

	FY 2017	FY 2018	Variance %
	<u>Projected</u>	<u>Budget</u>	<u>Incr/(Decr)</u>
OPERATING REVENUES			
(1) NET PATIENT SERVICE REVENUE	374,838,280	410,878,577	9.6%
(2) OTHER OPERATING REVENUE	<u>4,689,737</u>	<u>4,972,008</u>	6.0%
(3) TOTAL OPERATING REVENUES	\$ 379,528,017	\$ 415,850,585	9.6%
OPERATING EXPENSES			
(4) Salaries and Wages	172,146,377	180,534,002	4.9%
(5) Employee Benefits	30,966,655	32,915,872	6.3%
(6) Professional Fees	10,407,029	8,540,516	-17.9%
(7) Purchased Services	15,933,946	16,646,416	4.5%
(8) Supplies (other than pharmaceuticals)	49,220,433	54,122,569	10.0%
(9) Pharmaceutical Supplies	20,338,304	29,055,808	42.9%
(10) Other Operating Expenses	45,203,230	48,286,750	6.8%
(11) Interest Expense	8,280,947	7,108,037	-14.2%
(12) Depreciation and Amortization	<u>21,334,570</u>	<u>22,006,592</u>	3.1%
(13) TOTAL OPERATING EXPENSES	\$ 373,831,491	\$ 399,216,562	6.8%
(14) OPERATING INCOME	\$ 5,696,526	\$ 16,634,023	192.0%
(15) NONOPERATING REVENUES (EXPENSES)	<u>\$ 10,483,863</u>	<u>\$ 6,811,000</u>	-35.0%
(16) EXCESS OF REVENUES OVER EXPENSES	<u>\$ 16,180,389</u>	<u>\$ 23,445,023</u>	44.9%
(17) OPERATING MARGIN	1.5%	4.0%	
(18) TOTAL MARGIN	4.1%	5.5%	



FY 2018 Budget Volumes

Norman Regional Health System

	Discharges			Patient Days			ALOS		
	FY 2017 Projected	FY 2018 Budget	% Incr/Decr	FY 2017 Projected	FY 2018 Budget	% Incr/Decr	FY 2017 Projected	FY 2018 Budget	% Incr/Decr
Porter Campus									
(1) BMS	631	632	0.2%	4,884	4,740	-2.9%	7.74	7.50	-3.1%
(2) Rehab	370	409	10.5%	4,790	5,115	6.8%	12.95	12.51	-3.4%
(3) Acute	6,769	6,566	-3.0%	30,588	29,089	-4.9%	4.52	4.43	-2.0%
(4) Total	7,770	7,607	-2.1%	40,262	38,944	-3.3%	5.18	5.12	-1.2%
HealthPlex Campus									
(5) Acute	7,493	8,060	7.6%	25,499	27,084	6.2%	3.40	3.36	-1.3%
(6) NICU	370	426	15.1%	4,319	4,853	12.4%	11.67	11.39	-2.4%
(7) Total	7,863	8,486	7.9%	29,818	31,937	7.1%	3.79	3.76	-0.8%
Total System									
(8) Acute	14,262	14,626	2.6%	56,087	56,173	0.2%	3.93	3.84	-2.3%
(9) BMS	631	632	0.2%	4,884	4,740	-2.9%	7.74	7.50	-3.1%
(10) Rehab	370	409	10.5%	4,790	5,115	6.8%	12.95	12.51	-3.4%
(11) NICU	370	426	15.1%	4,319	4,853	12.4%	11.67	11.39	-2.4%
(12) Total	15,633	16,093	2.9%	70,080	70,881	1.1%	4.48	4.40	-1.7%



FY 2018 Budget Volumes

Norman Regional Health System (continued)

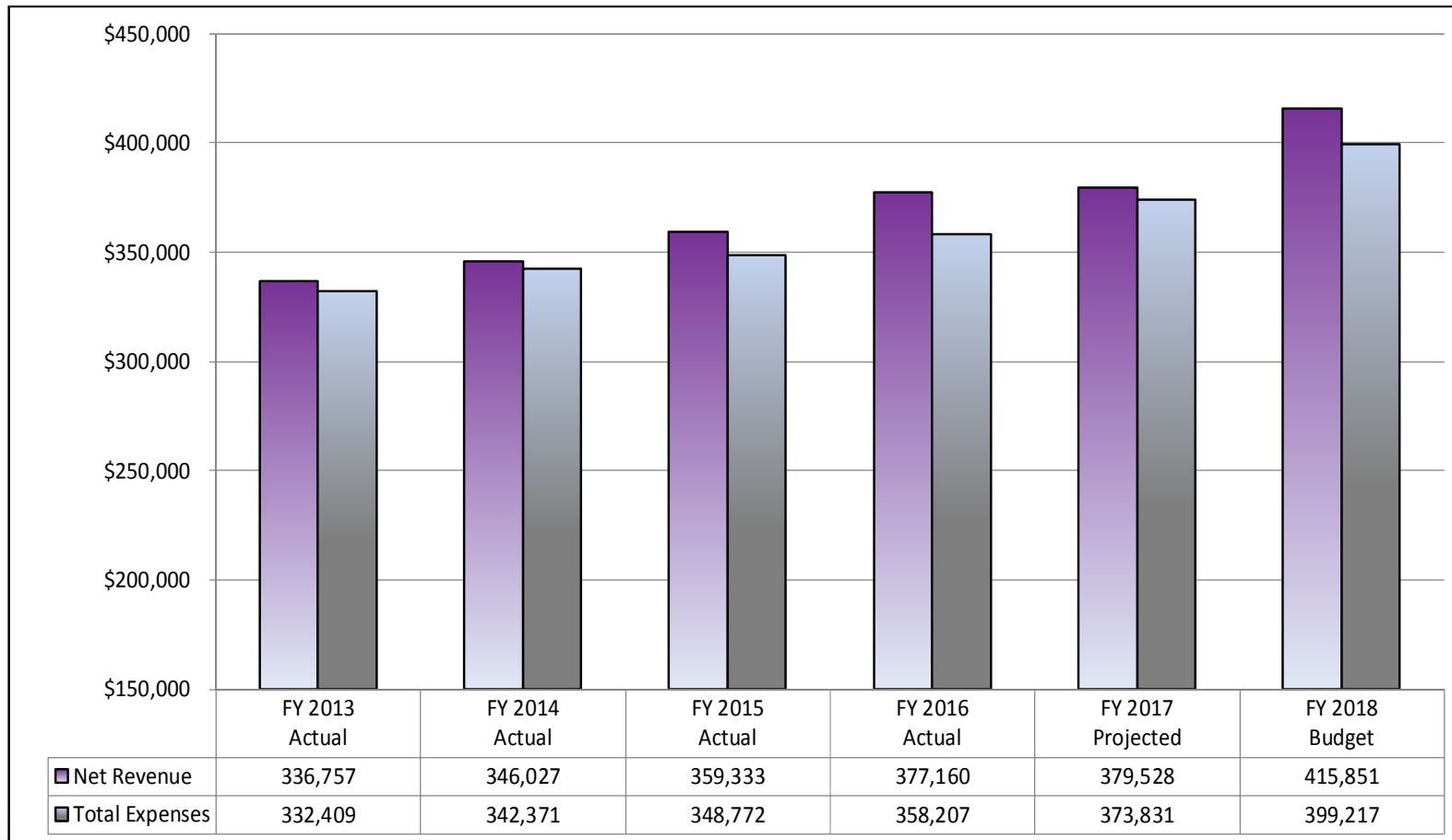
	FY 2017 Projected	FY 2018 Budget	% Incr/Decr
Adjusted Statistics			
(1) Adjusted Patient Days	160,415	168,867	5.3%
(2) Adjusted Discharges	35,784	38,340	7.1%
Deliveries			
(3) HealthPlex	2,568	2,715	5.7%
Cath Lab Cases			
(4) Inpatient	1,284	1,429	11.3%
(5) Outpatient	1,897	2,040	7.5%
(6) Total	3,181	3,469	18.8%
Surgeries			
IP			
(7) NRH	1,816	1,721	-5.2%
(8) HealthPlex	2,833	3,009	6.2%
(9) Total	4,649	4,730	1.7%
OP			
(10) NRH	4,079	4,210	3.2%
(11) HealthPlex	3,095	3,316	7.1%
(12) Total	7,174	7,526	4.9%

	FY 2017 Projected	FY 2018 Budget	% Incr/Decr
OP Registrations (including outpatient ED visits)			
Hospital			
(13) NRH	149,535	153,727	2.8%
(14) HealthPlex	71,870	73,162	1.8%
(15) NRM	46,214	48,026	3.9%
(16) Total	267,619	274,915	2.7%
Other			
(17) Clinics	212,602	249,742	17.5%
(18) EMSStat (Norman)	15,703	16,347	4.1%
(19) EMSStat (Moore)	3,883	3,941	1.5%
Emergency Department Visits (includes ED admissions)			
(20) NRH	44,307	43,385	-2.1%
(21) HealthPlex	26,735	26,425	-1.2%
(22) NRM	23,002	23,713	3.1%
(23) Total	94,044	93,523	-0.6%



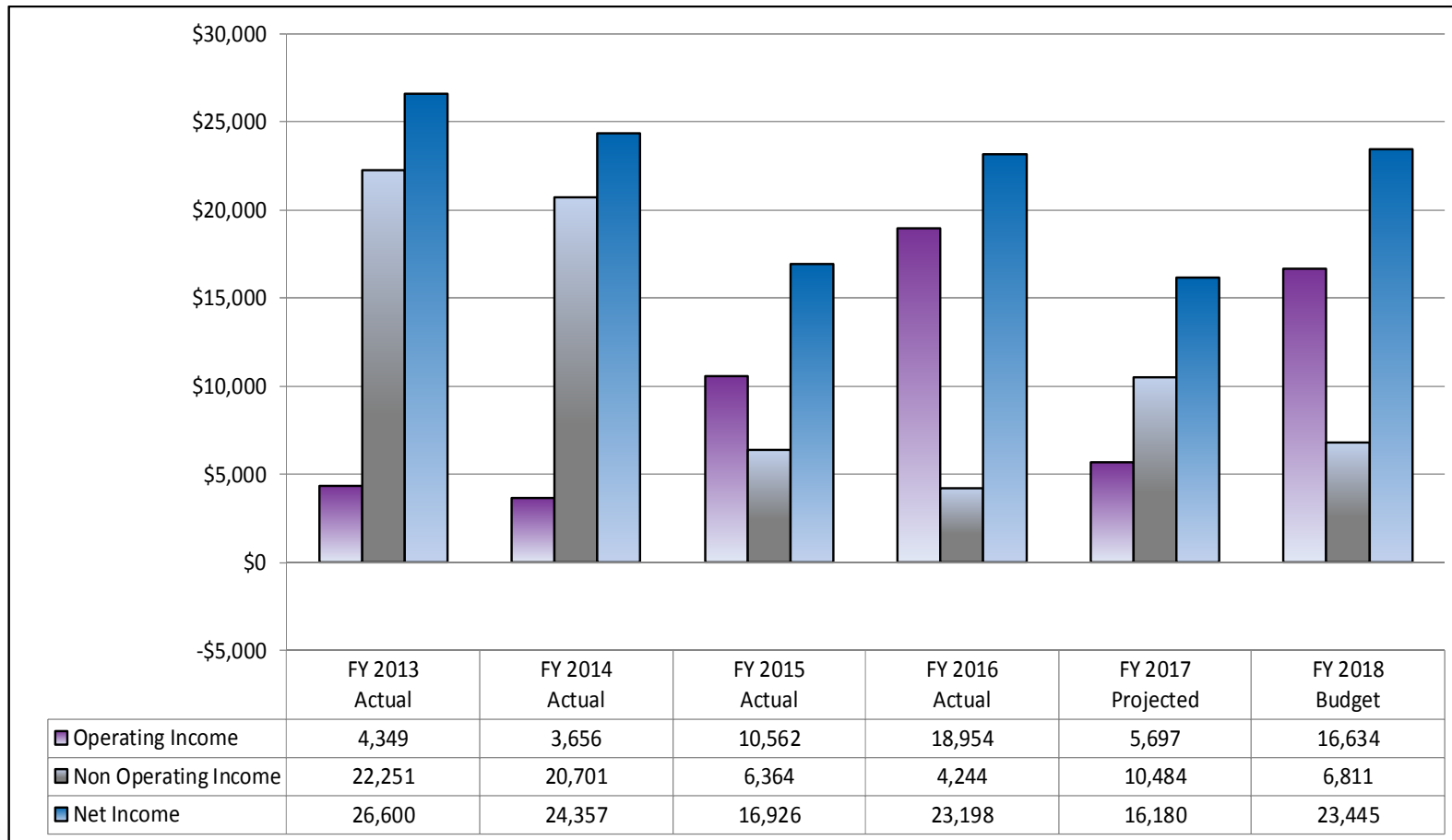
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Net Revenue and Expense (\$ in 000's)



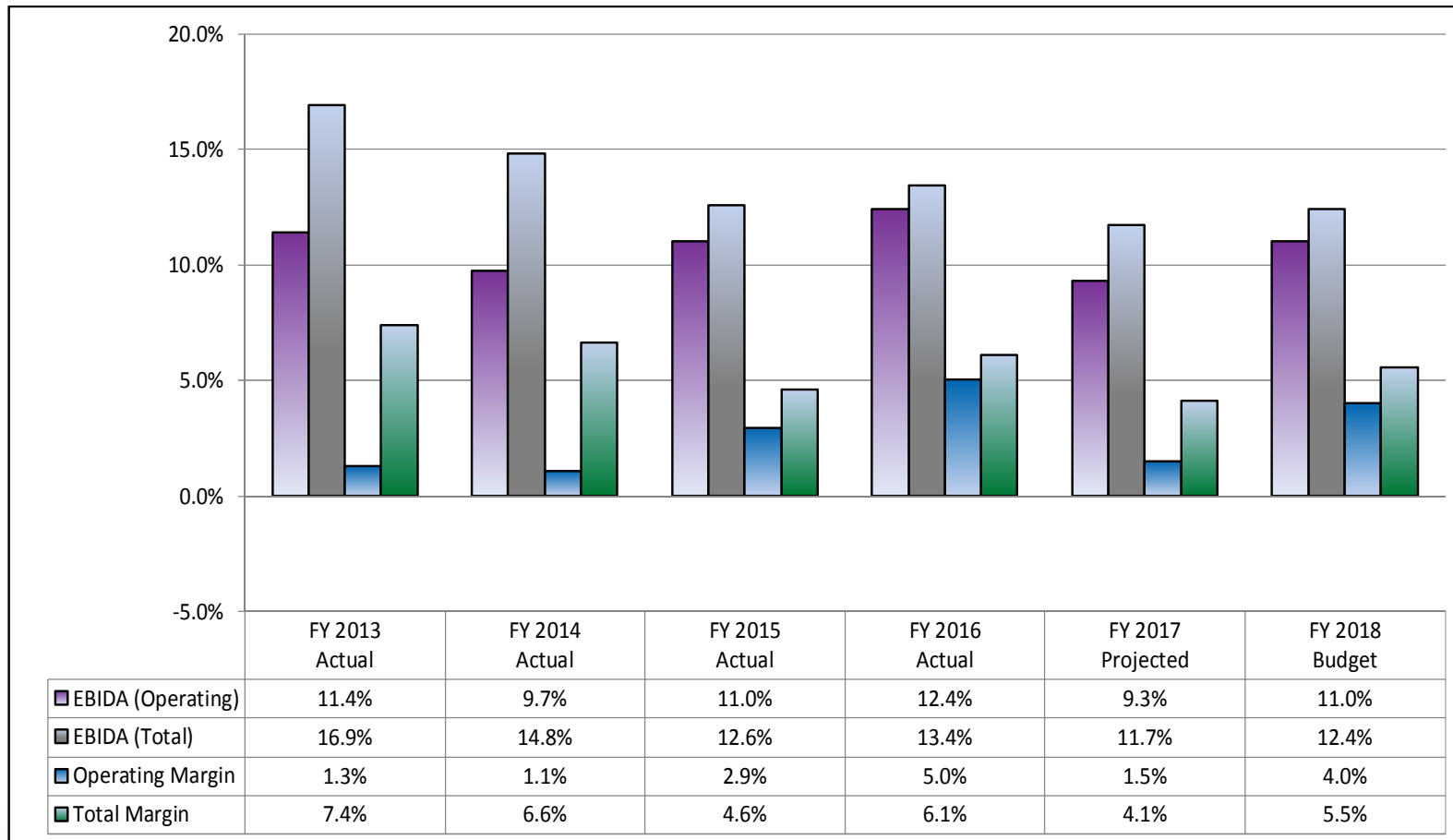
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Income (\$ in 000's)



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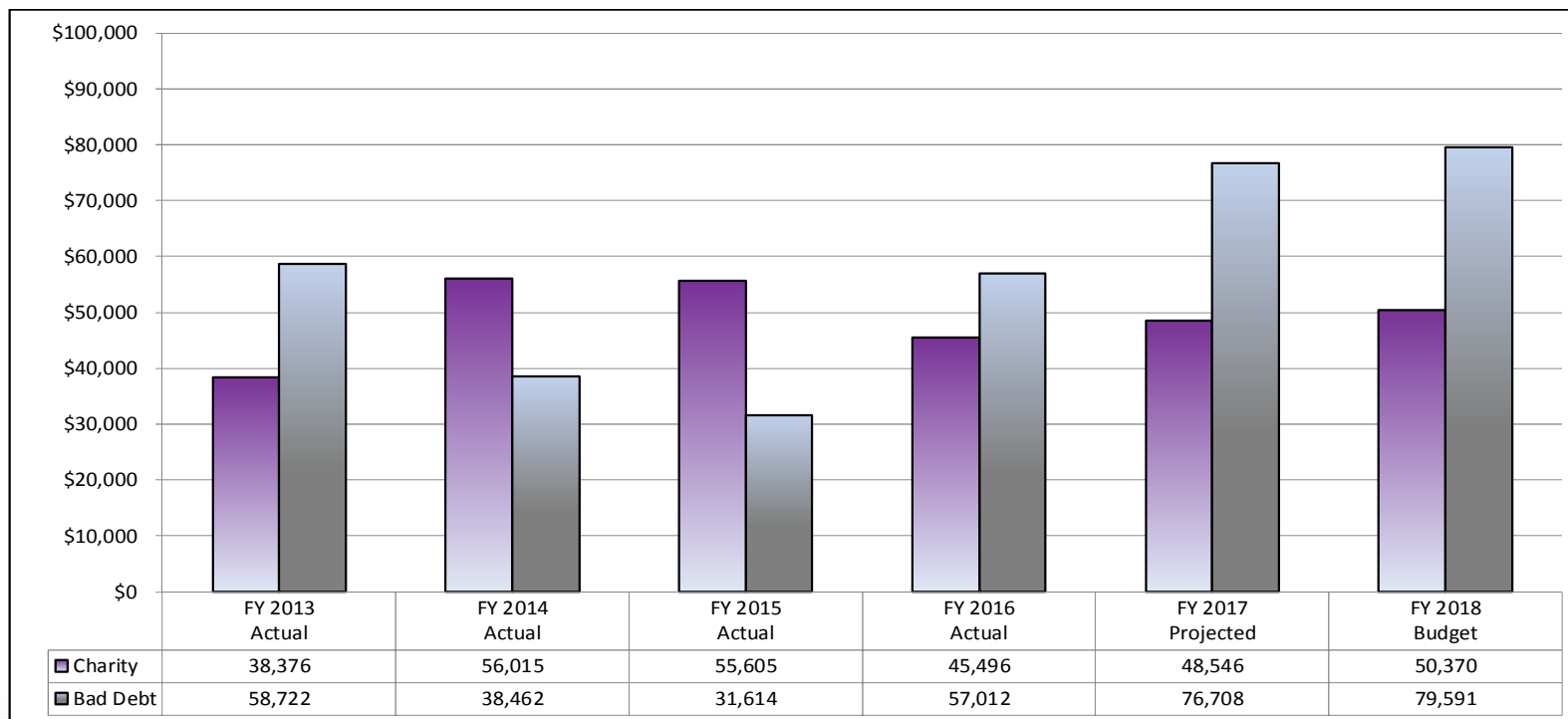
Profit Margins



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Charity & Bad Debt Expense (\$ in 000's)

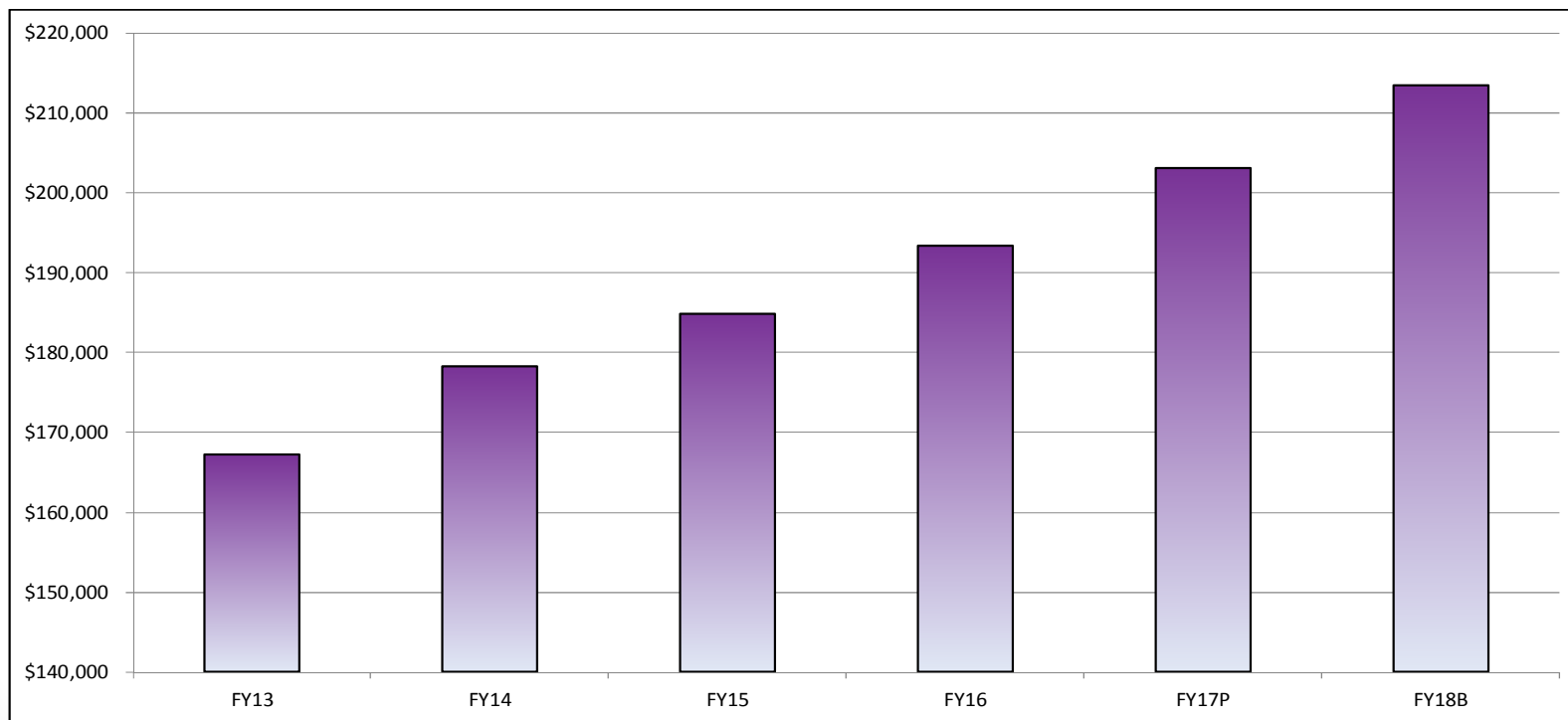
Year	FY 13 Act	FY 14 Act	FY 15 Act	FY 16 Act	FY 17 Proj	FY 18 Bud
Actual	\$97,098	\$94,477	\$87,219	\$102,508	\$125,254	\$129,961
% of Gross Revenue	7.3%	6.8%	5.9%	6.4%	7.3%	7.0%



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Salaries and Benefits Expense (\$ in 000's)

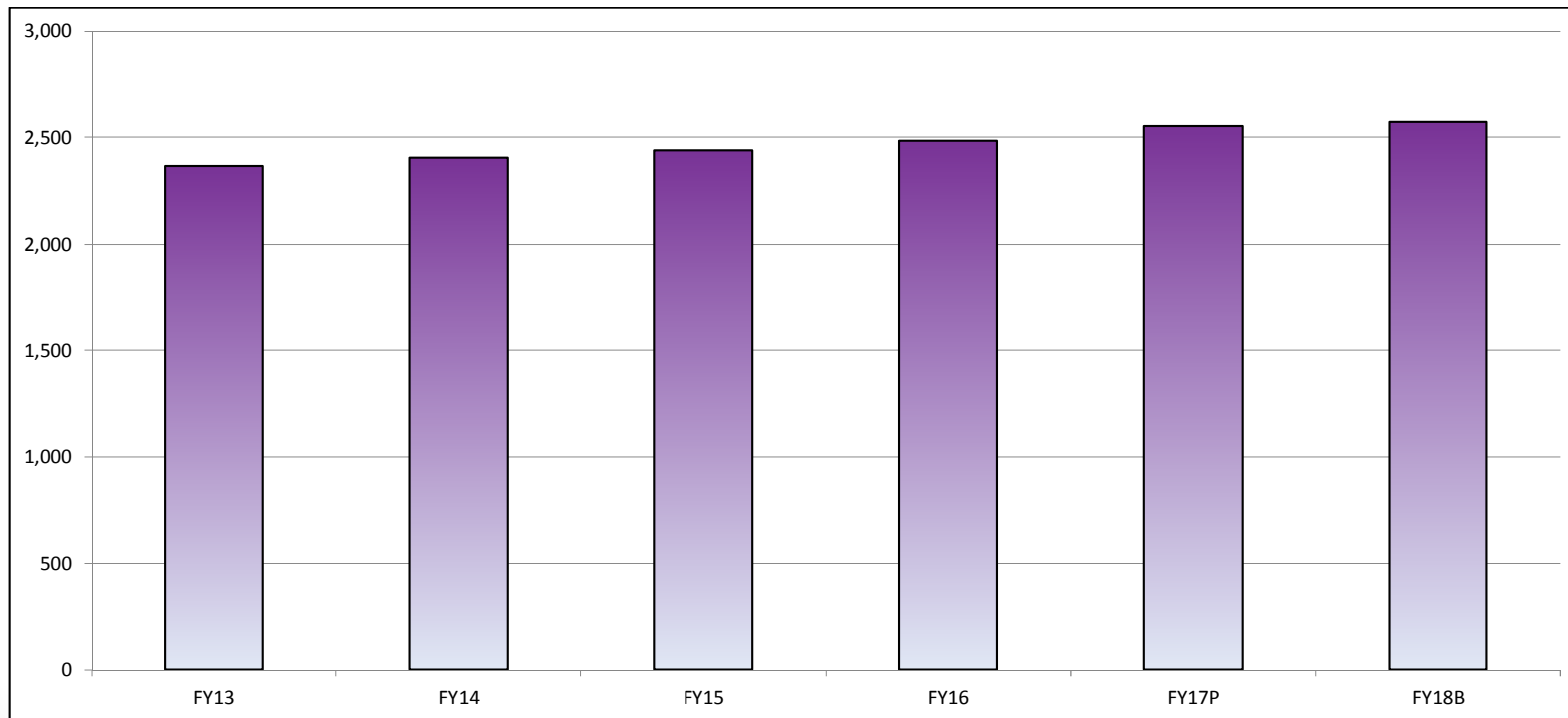
Year	FY 13 Act	FY 14 Act	FY 15 Act	FY 16 Act	FY 17 Proj	FY 18 Bud
Actual	\$167,231	\$178,326	\$184,872	\$193,316	\$203,113	\$213,450
Growth	4.7%	6.6%	3.7%	4.6%	5.1%	5.1%



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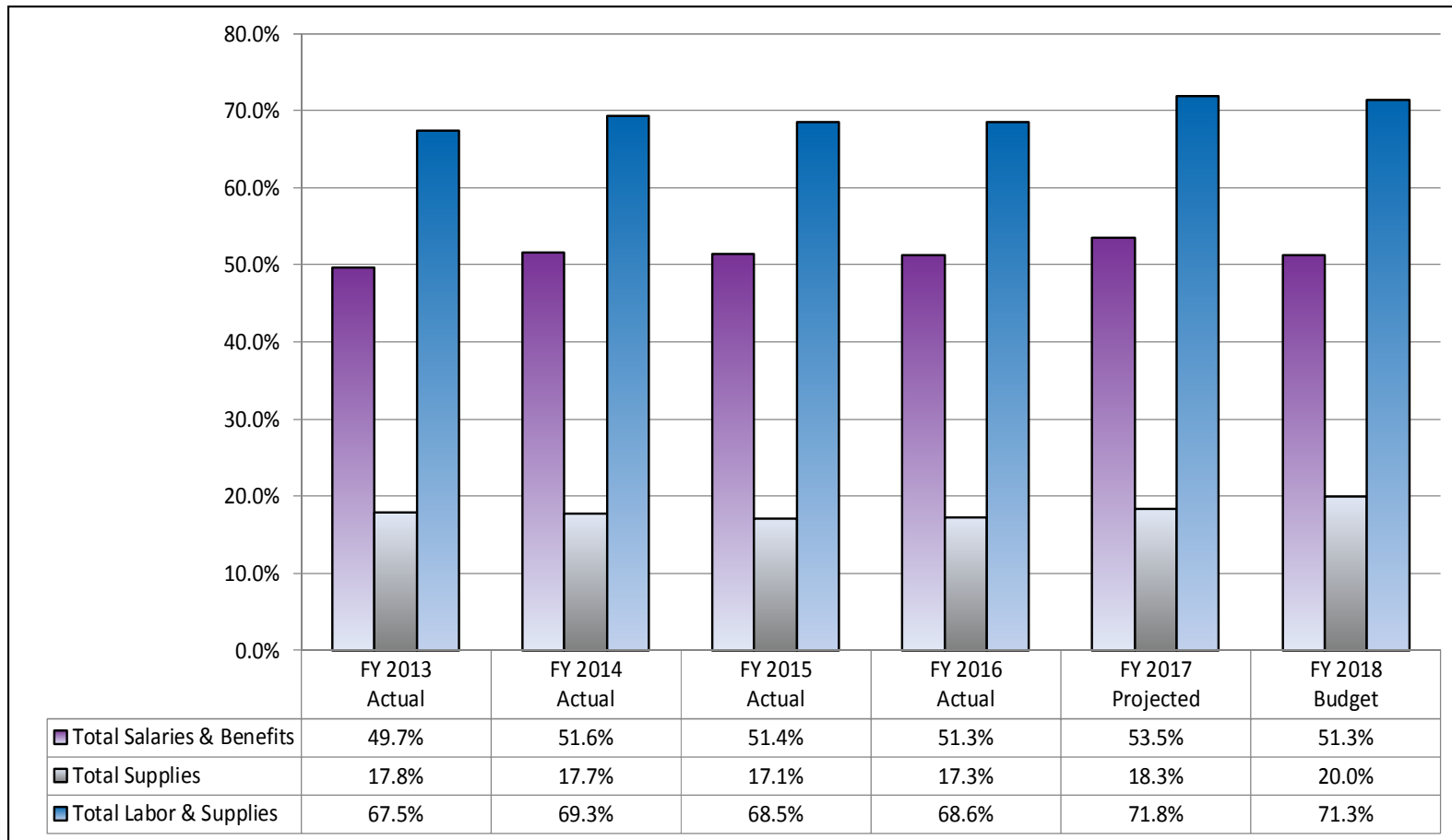
System Paid FTEs

Year	FY 13 Act	FY 14 Act	FY 15 Act	FY 16 Act	FY 17 Proj	FY 18 Bud
Actual	2,366	2,404	2,440	2,482	2,552	2,573
Growth	1.7%	1.6%	1.5%	1.7%	2.8%	0.8%



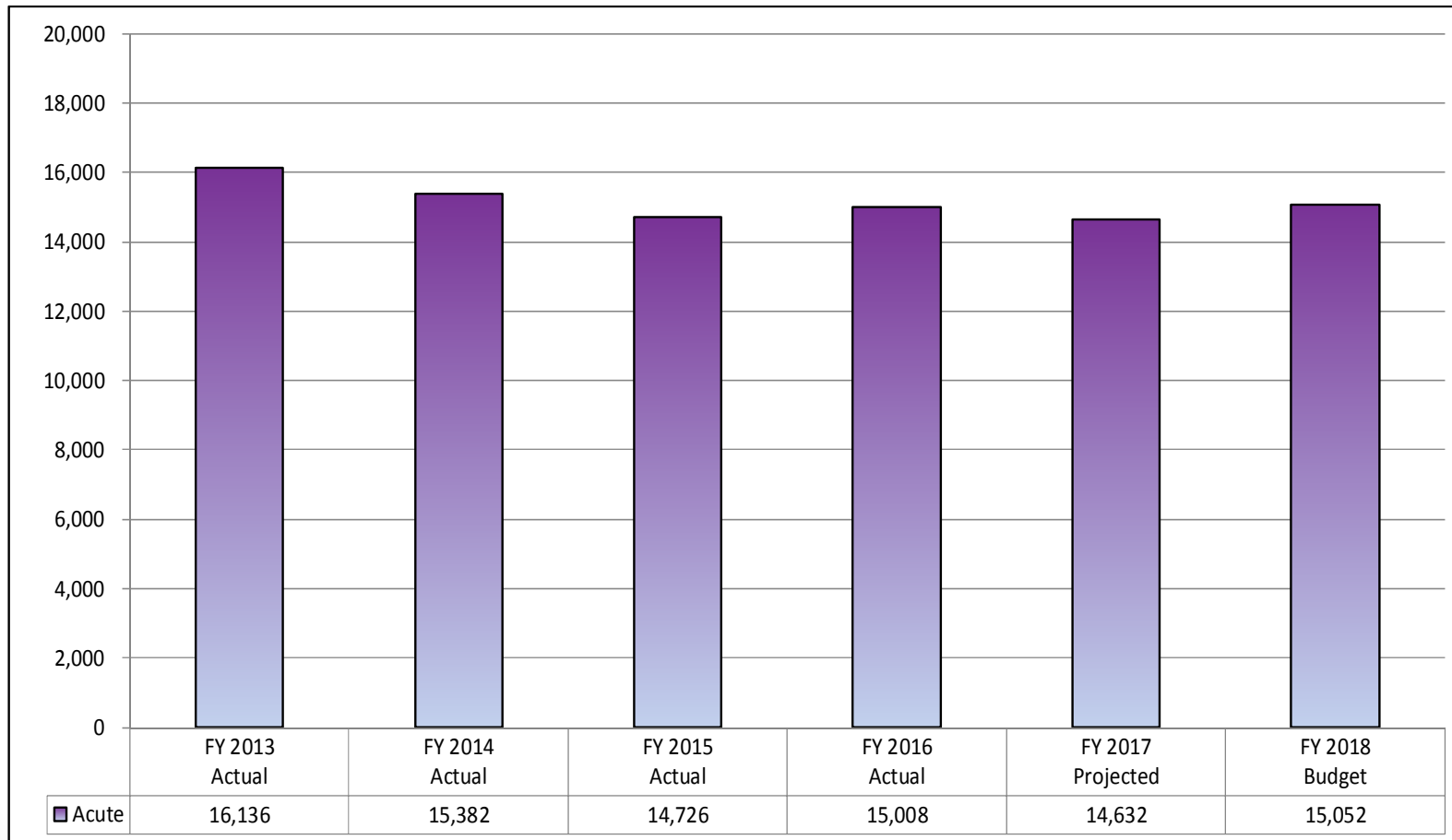
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Labor & Supplies as % of Net Revenue



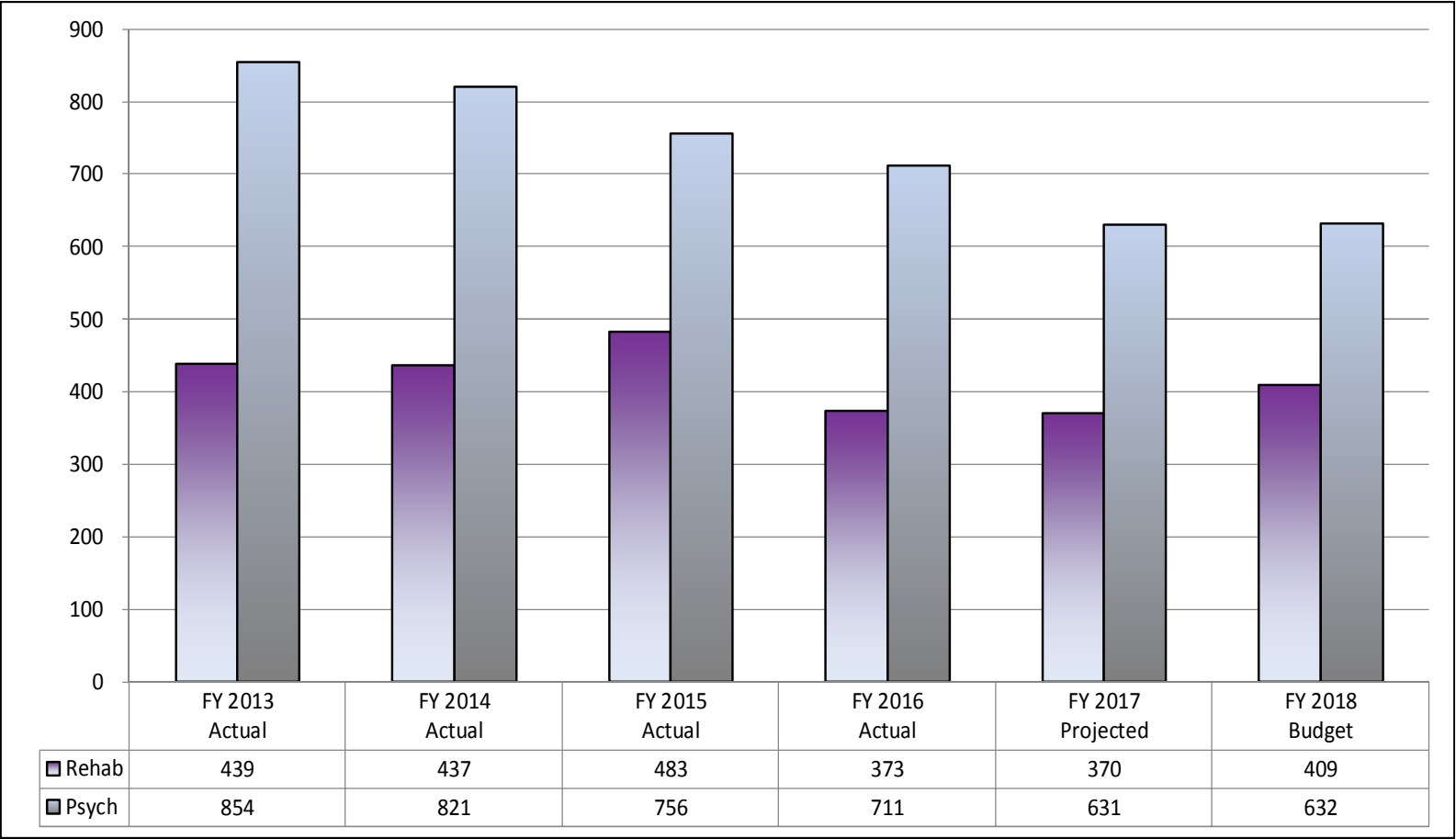
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Acute Discharges (includes NICU)



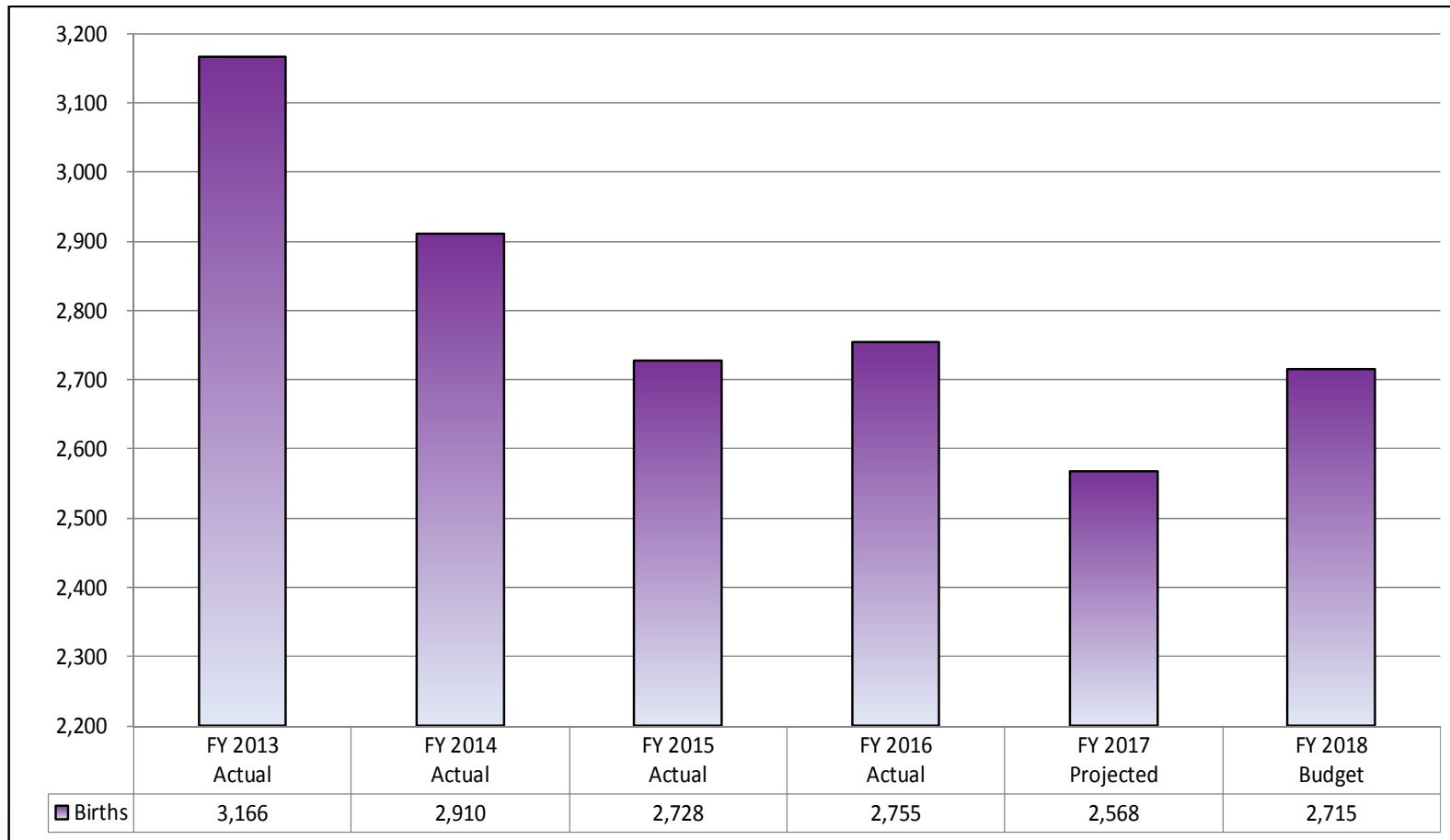
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Sub Acute Discharges by Type



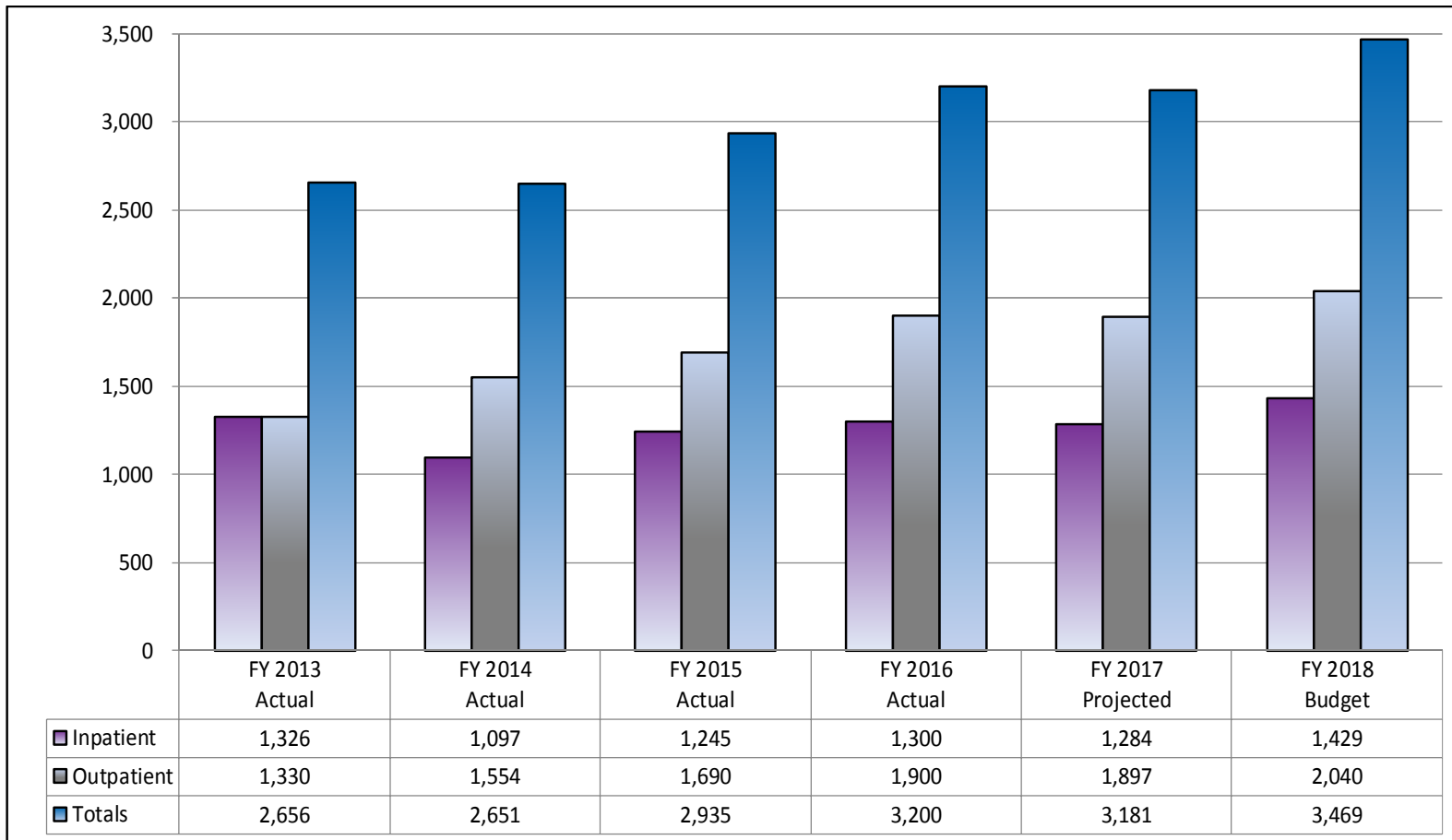
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Deliveries



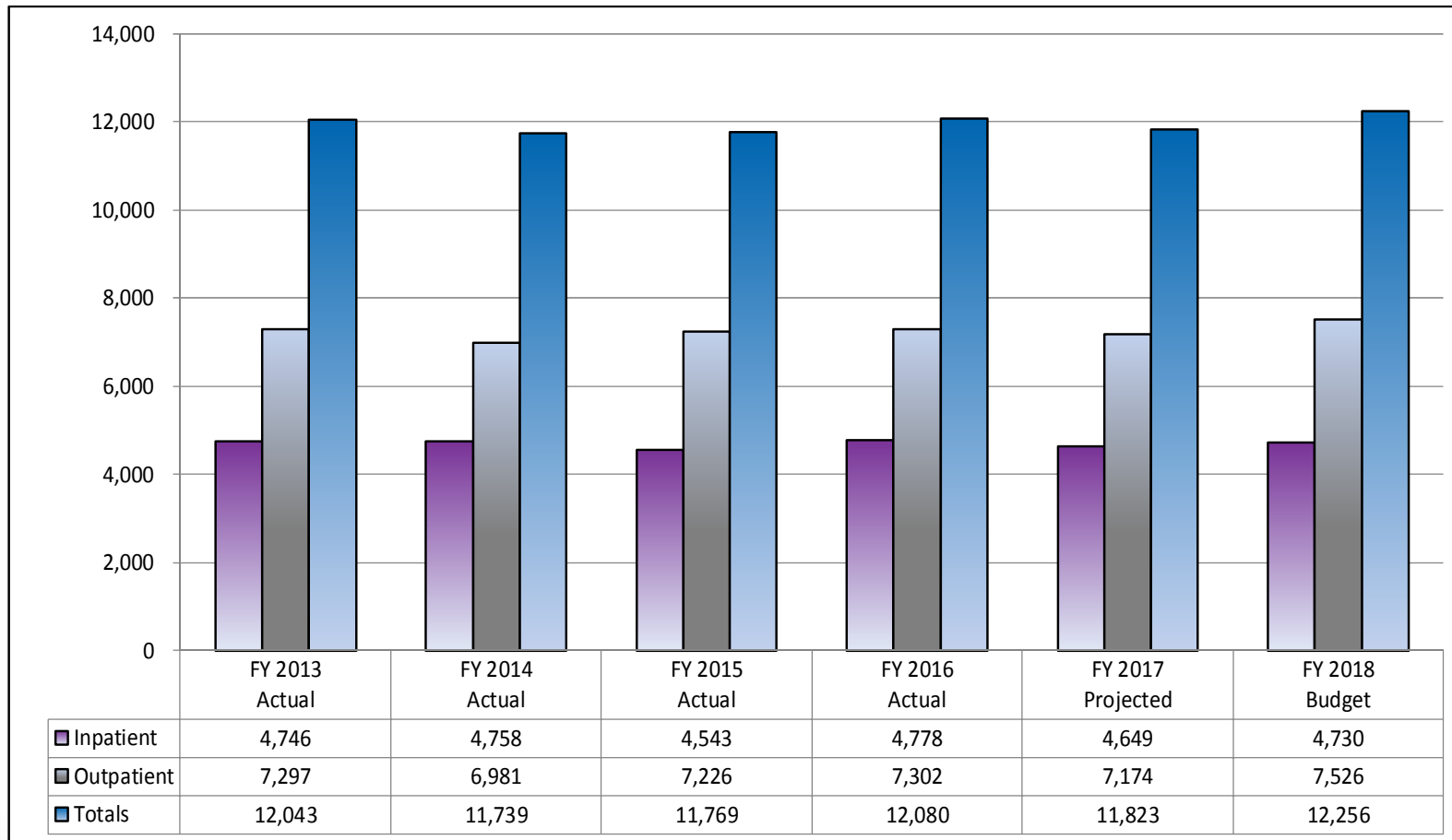
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Cath Lab Cases



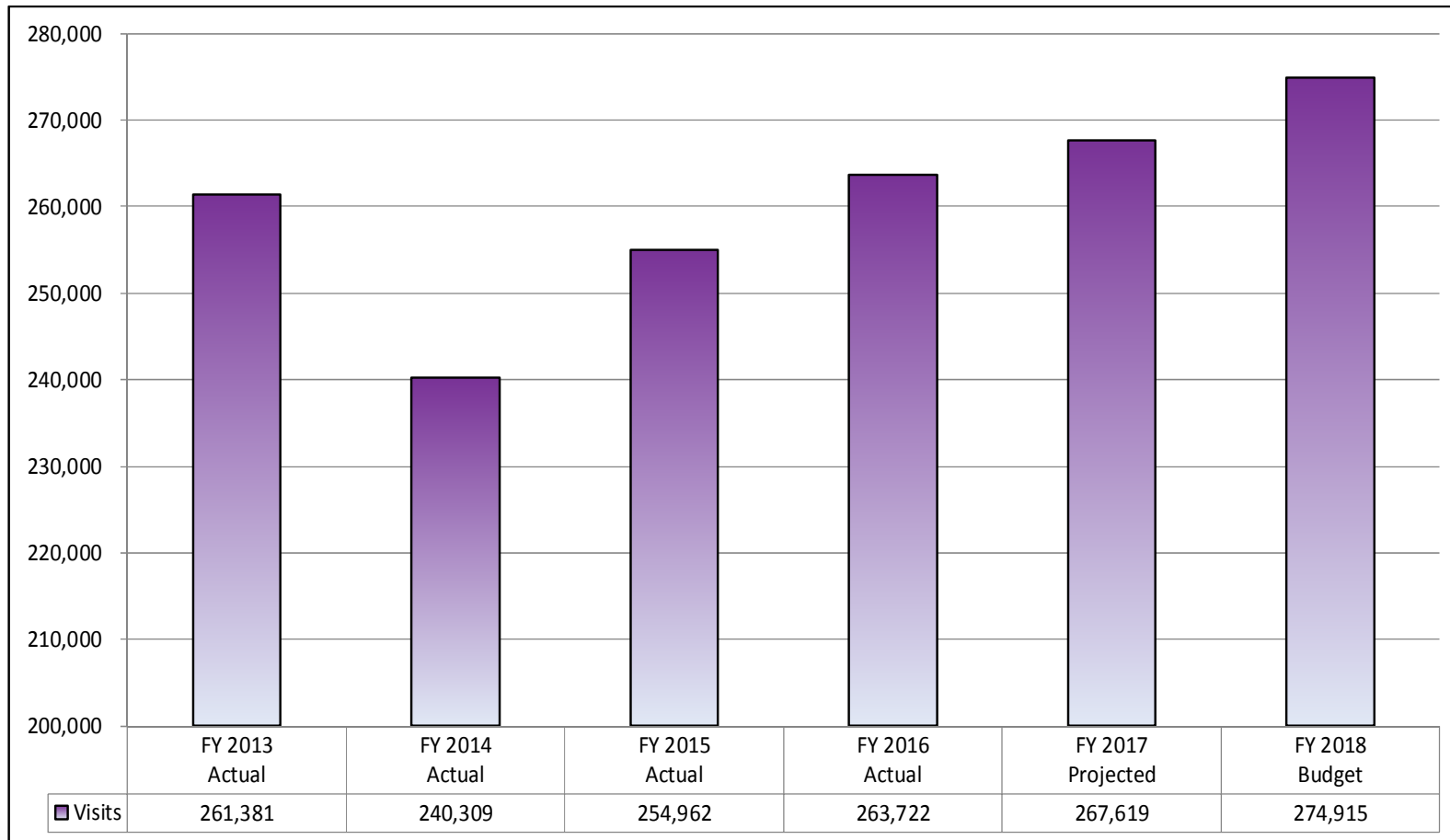
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Surgical Cases



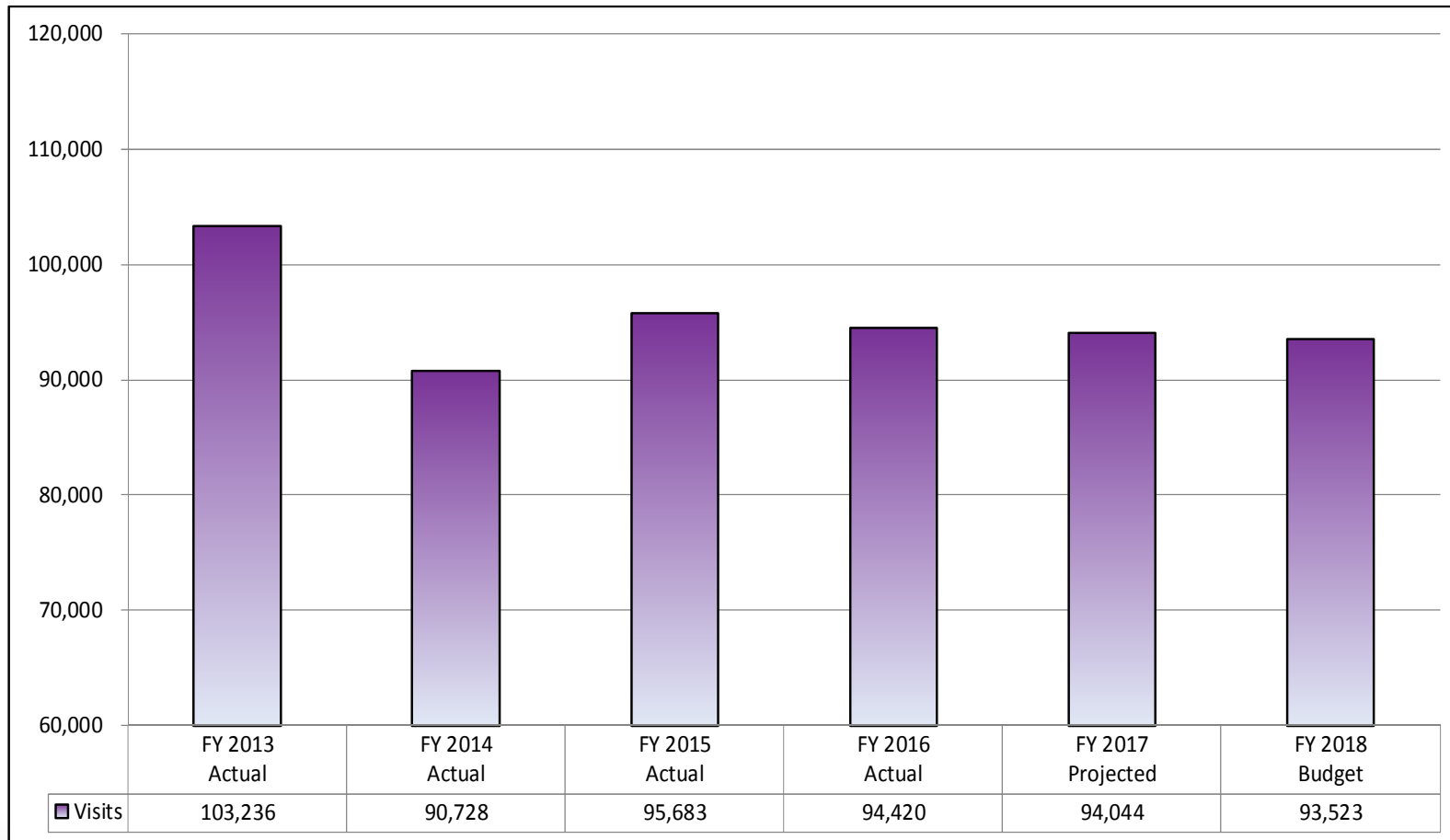
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Hospital Outpatient Registrations



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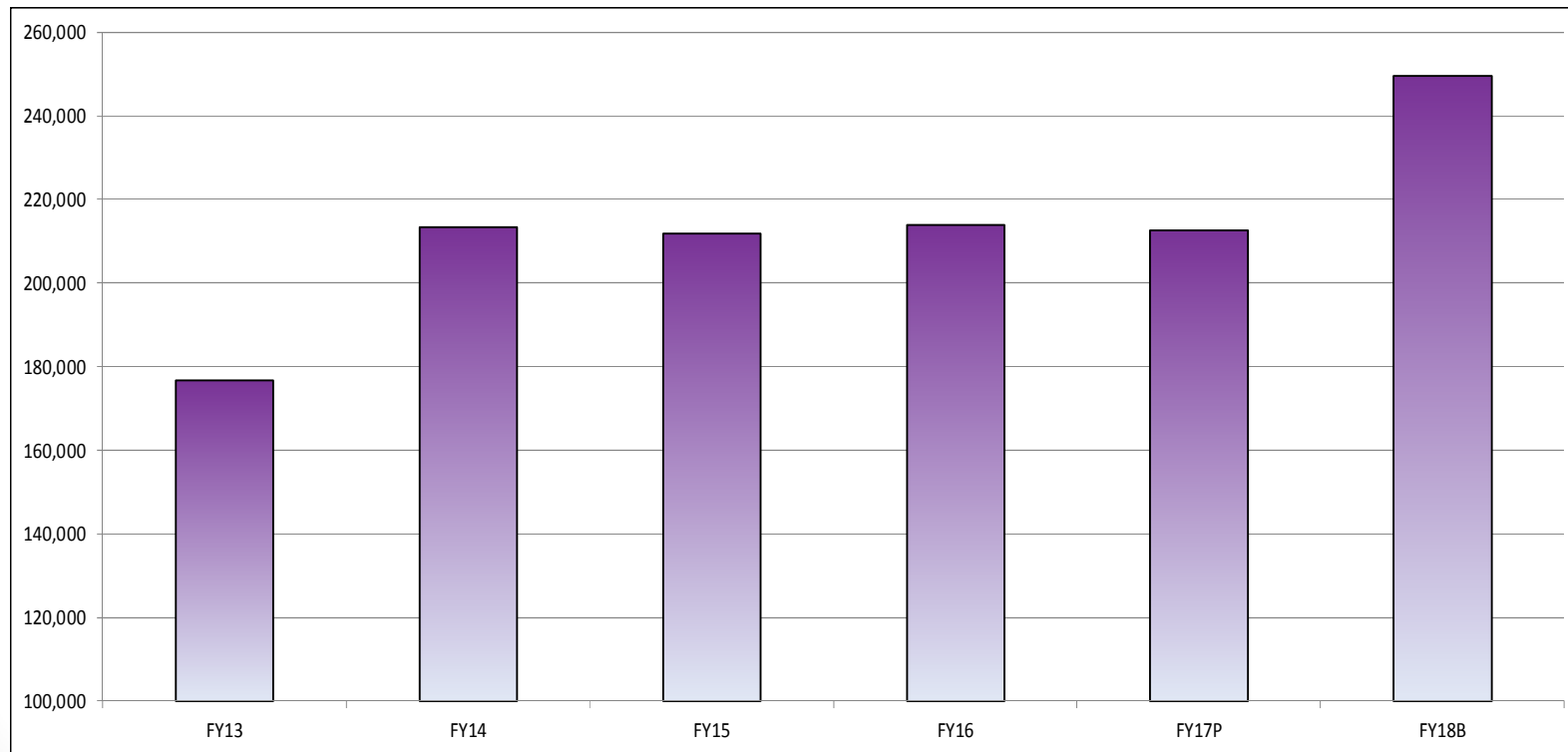
Emergency Department Visits



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Clinic Visits (excl. Hospitalists, Intensivists, Radiologists, & Palliative Care)

FY 13 Act	FY 14 Act	FY 15 Act	FY 16 Act	FY 17 Proj	FY 18 Bud
176,863	213,588	211,914	213,939	212,602	249,742



FY 2018 Budget Presentation

Capital Expenditures (\$ in Millions)

