



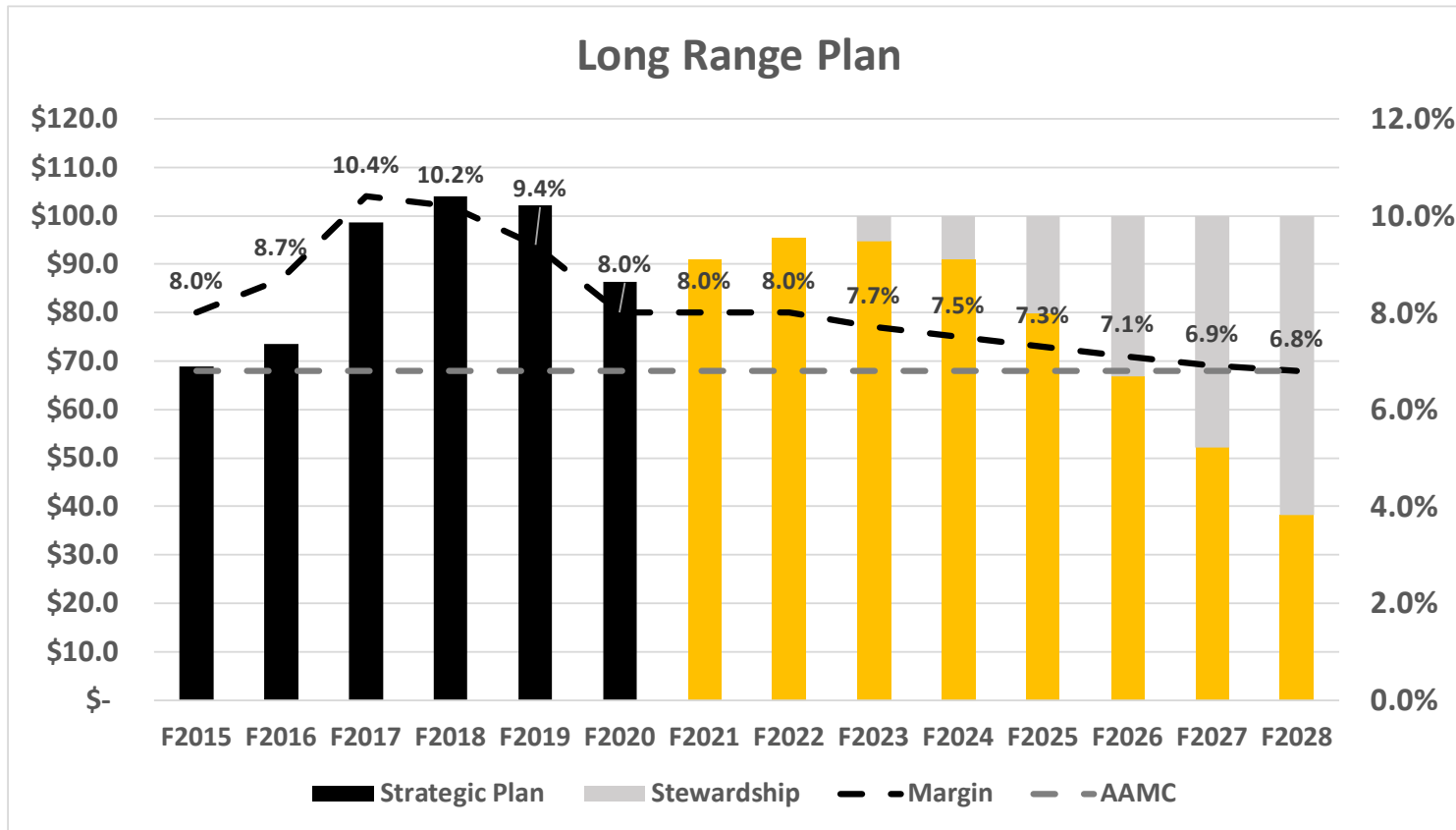
Health Care

Health Affairs Committee Finance Update

January 30, 2020

LONG-RANGE FINANCIAL PLAN

Achieving our long-range financial plan is critical to fund our day-to-day needs, invest in facility expansion and continually invest in our tripartite mission.



Challenges

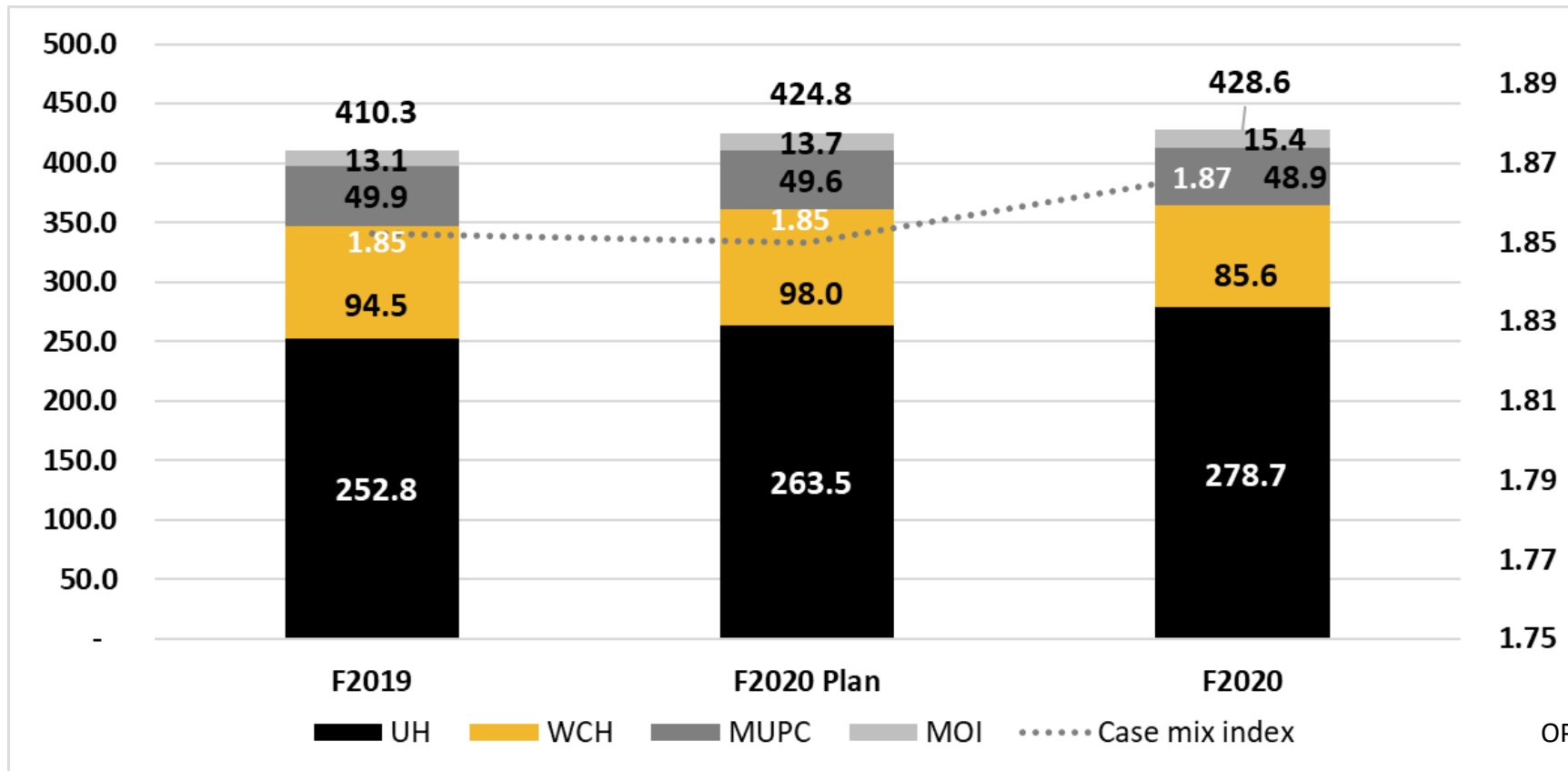
- Increased payor pressures
- Cost inflation outstripping revenue growth

Response

- Financial accountability
- Stewardship and efficiency
- Strategic growth

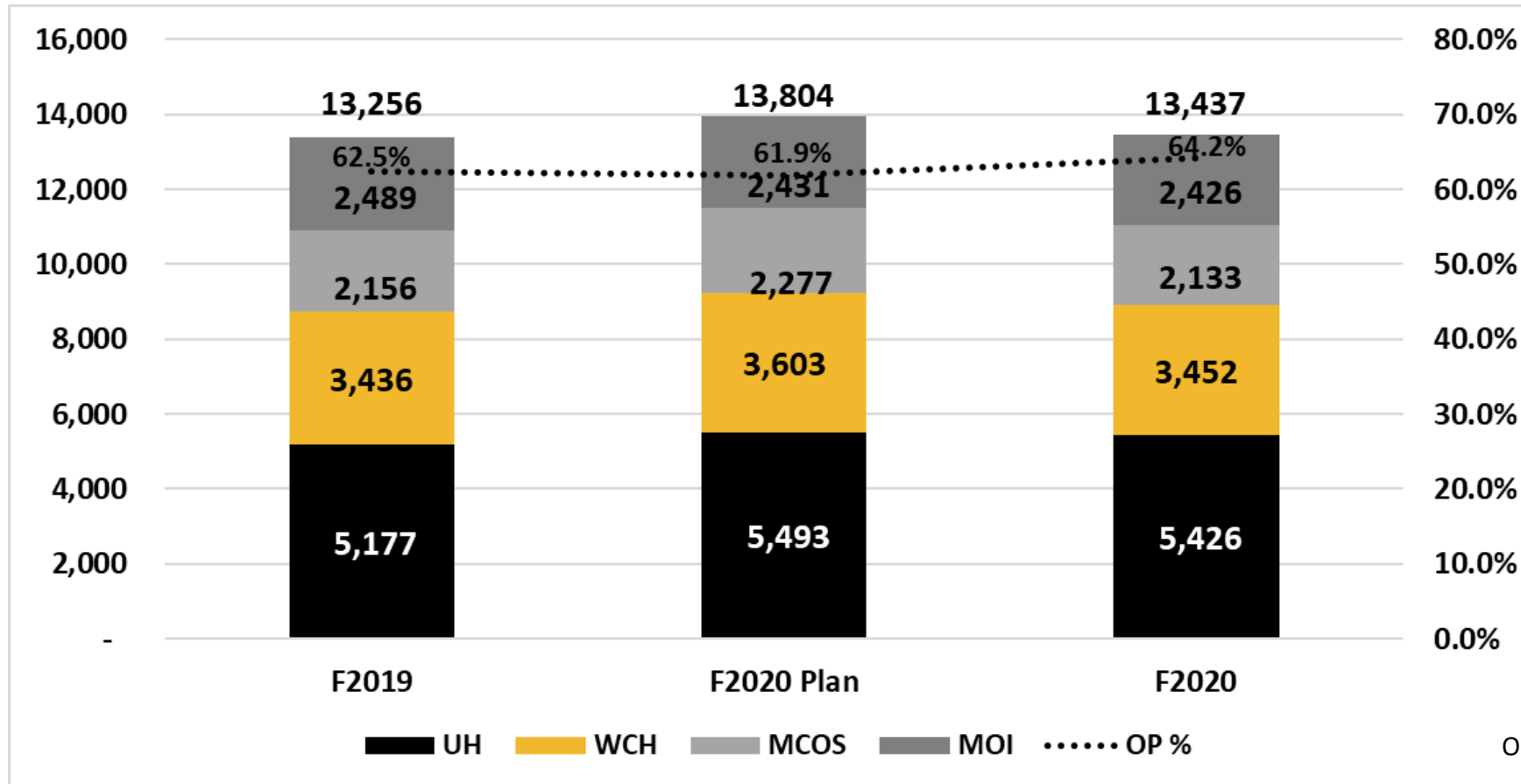
PATIENT UTILIZATION – AVERAGE DAILY CENSUS

- Average Daily Census was 4.5% higher than last year with strong performance in our adult medical populations
- Increase in patient acuity was driven by cardiac surgery and complex medical cases.



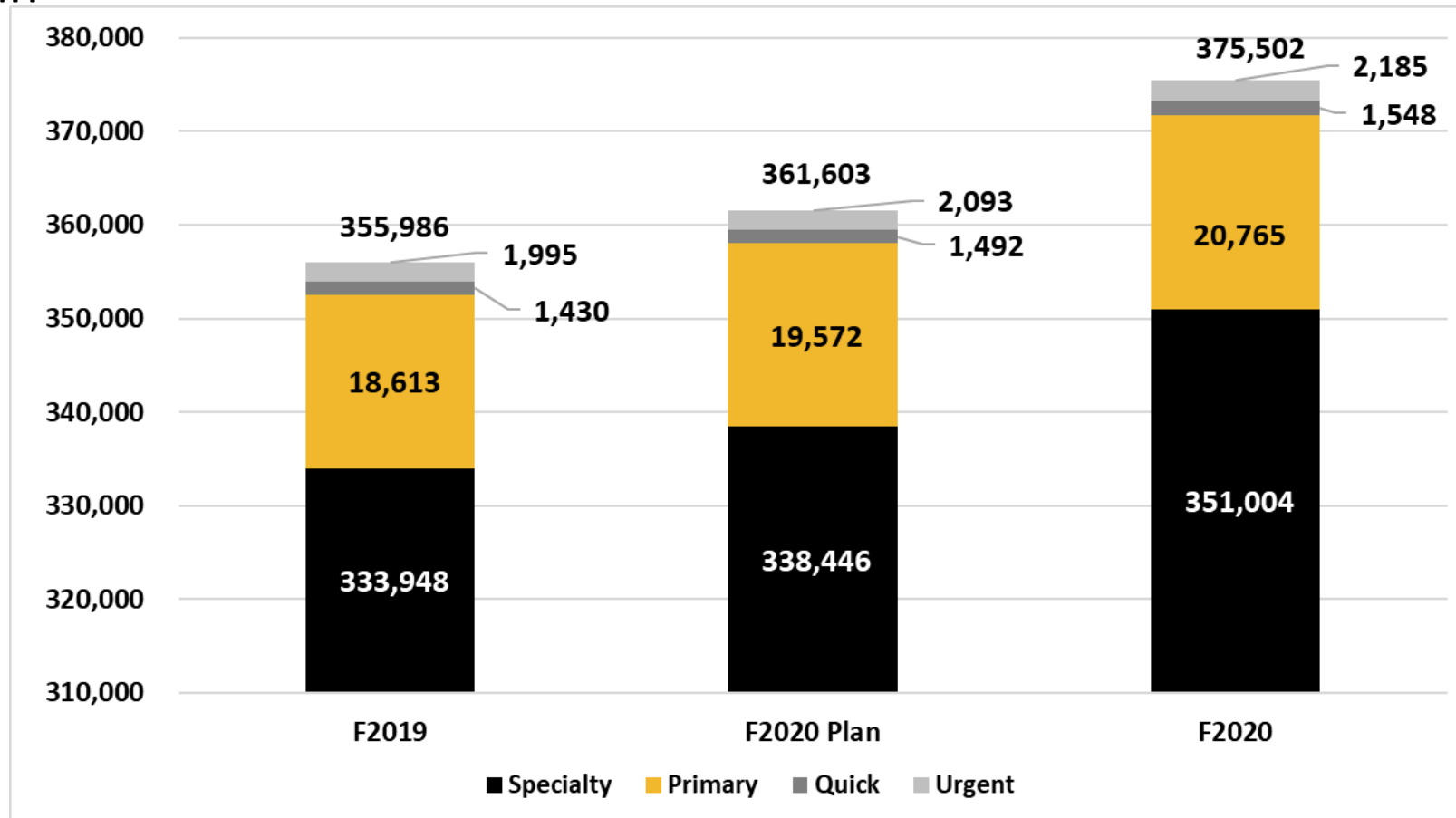
PATIENT UTILIZATION - SURGERIES

- Total surgeries were 2.6% lower than plan, but are slightly above prior year.
- The decrease was primarily driven by surgeon departures in key areas, but recruitment is active.



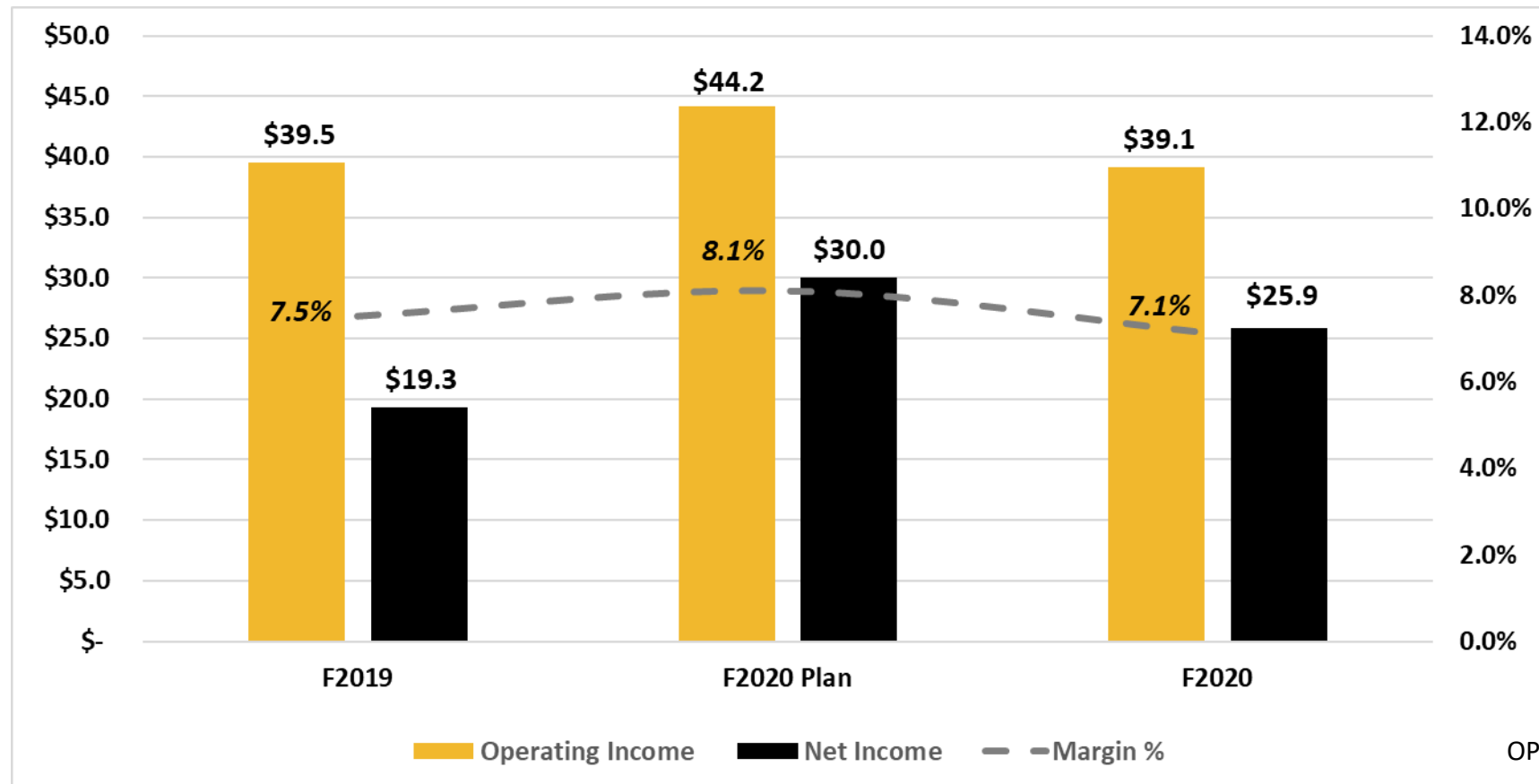
PATIENT UTILIZATION – CLINIC VISITS

- Clinic visits were 3.8% higher than plan and 5.5% higher than prior year
- All clinic service lines continue to see growth, with specialty clinics increasing 6.5% over plan



FINANCIAL RESULTS – DECEMBER YEAR-TO-DATE

- Total operating income of \$39M was 11.5% under plan and 1% lower than prior year of \$39.5M
- Net income of \$25.8M was (\$4M) unfavorable to plan and \$6.5M higher than prior year



FINANCIAL RESULTS - RATIOS AND BENCHMARKS

Most ratios and benchmarks continue to track with Moody's A rated medians with Days Cash on Hand and Net Days Revenue in AR unfavorable to the medians.

Actual	Plan	Consolidated Financial Results	Prior Year	FY20 Annual Plan	Moody's A Rated
<i>(\$000's)</i>					
\$551,247	\$545,994	Net Revenues	\$526,100	\$1,013,800	
(512,129)	(501,786)	Operating Expenses	(486,591)	(939,400)	
39,117	44,208	Operating Income	39,509	73,400	
(13,263)	(14,228)	Non-operating Revenues, Net	(20,207)	(25,800)	
\$25,854	\$29,981	Change in Net Assets	\$19,302	\$47,600	
FINANCIAL RATIOS AND BENCHMARKS					
7.1%	8.1%	Operating Margin Percent	7.5%	8.0%	2.2%
4.0%	4.9%	Annualized Return on Total Assets	3.2%	4.9%	3.9%
192.5%	204.4%	Cash to Total Debt	183.7%	199.7%	131.3%
24.1%	24.1%	Debt to Capitalization	26.7%	24.0%	32.2%
4.3	3.9	Maximum Annual Debt Service Coverage	3.8	3.9	4.7
200.4	209.5	Days Cash on Hand	213.7	215	215.1
50.7	49.8	Net Days Revenue in AR	52.6	50.0	45.9

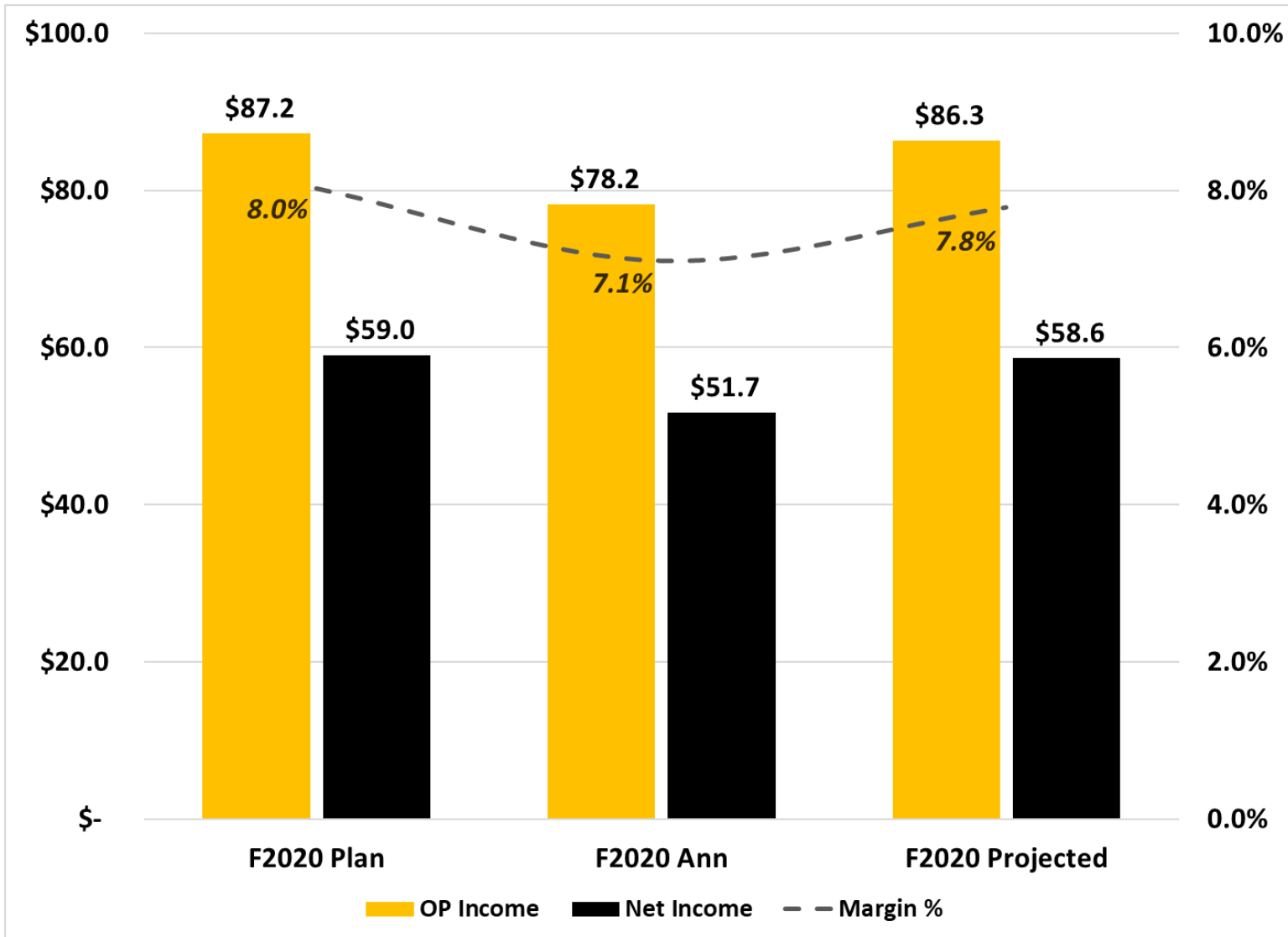
BY20 - LOOKING FORWARD

- Strategic Growth
 - Continued planning and implementation of Cardiovascular, Neurosciences, Oncology, and Child Health service line plans
- Access to Care
 - Ensuring access to primary care, emergency room and operating rooms, to meet our strategic growth goals
- Stewardship and Efficiency
 - Ongoing engagement by leadership team to identify opportunities to improve revenue capture and expense efficiency

STEWARDSHIP AND EFFICIENCY

- \$20M of expense reductions implemented last spring
 - expense/adjusted discharge dropped to best quartile among peers
- Identifying additional revenue and expense opportunities now
 - Consolidation of duplicative services
 - Management restructuring
 - Supply standardization and pricing
 - Care variation reduction
 - Efficient scheduling and room turns
- This is an effort we must continue year after year

FY20 PROJECTION



Accounting for growth trends and our stewardship and efficiency initiatives, MU Health Care should finish FY2020 near the budgeted target

CONCLUSION

MU Health Care is:

- Growing
- Operationally strong
- Financially resilient
- Not surprised by the headwinds of payer pressures and inflation
- Responsive to ensure excellent stewardship and demonstrated efficiency