



# Finance Updates



# **MU Health Care Finance Updates**

# Agenda

- **Income Statement/Financial Results – April YTD**
- **Ratios and Benchmarks**
- **Capital Status**
- **COVID 19 Update**
- **Budget FY 21 Targets**

# Financial Results – April YTD

## Utilization

- FYTD patient utilization is lower than plan, exclusively due to the volume reductions necessary in March and April to manage the impact of COVID-19. Planned return of volumes began in late April.

## Patient Revenue

- 1.4% lower than plan, primarily due to COVID-19
- OP Ancillary Revenue and Specialty Pharmacy remain strong

## Expense Trend

- Salaries and Wages
  - \$1.9M in COVID-19 Salary Expense
  - April Overtime and Agency was 70% lower than historic spend
- **Supplies and Pharmaceuticals**
  - April expense was 21% lower than plan

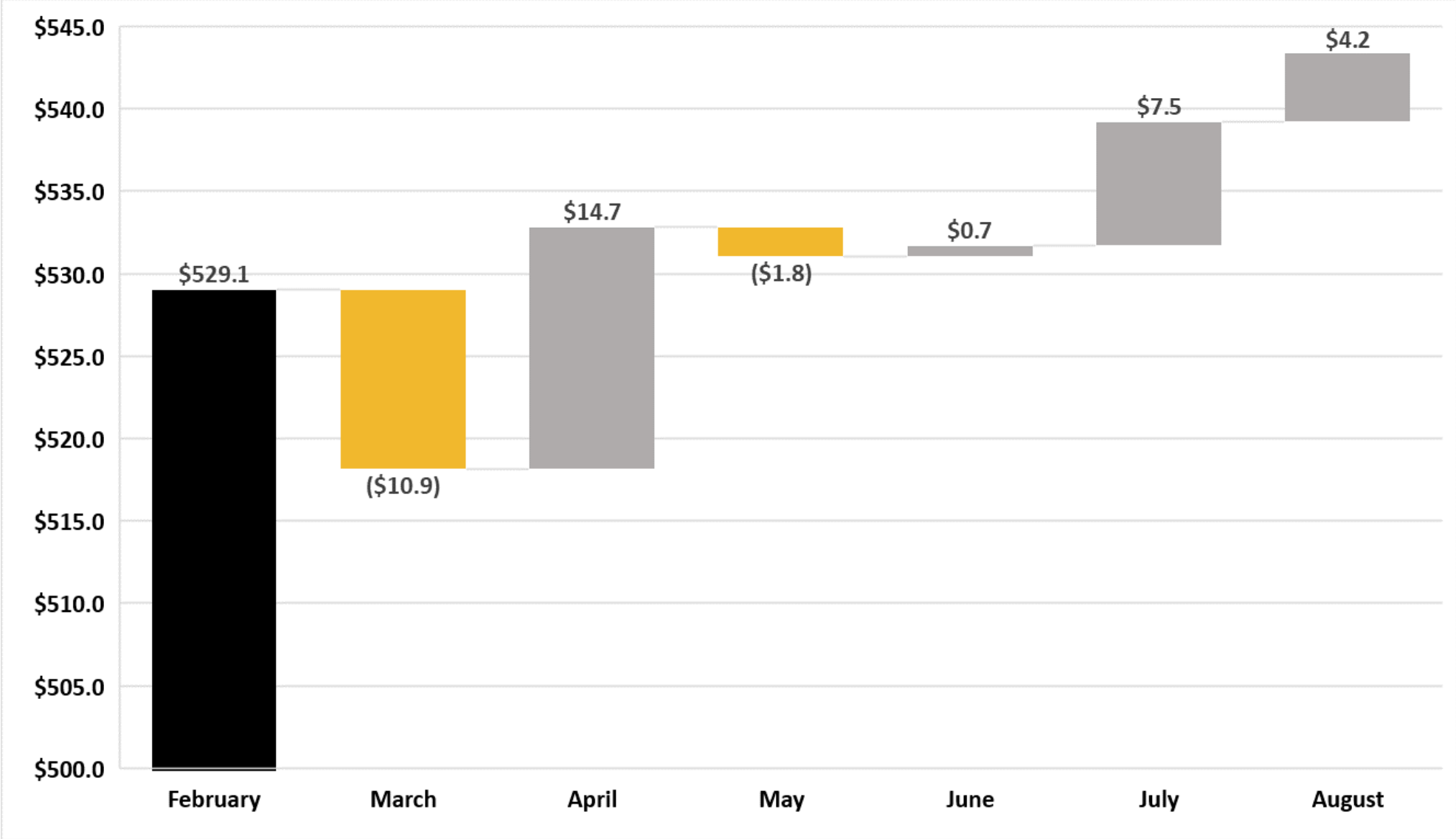
# Financial Results – Consolidated Income Statement

April 2020						Financial Results	April Year-to-date					
Actual	%	Plan	%	Prior Year	%		Actual	%	Plan	%	Prior Year	%
\$ 70,349	100.0%	\$ 89,112	100.0%	\$ 92,248	100.0%	Total operating revenue	\$ 891,048	100.0%	\$ 903,951	100.0%	\$ 884,450	100.0%
						Operating expenses						
34,034	48.4%	36,283	40.7%	35,079	38.0%	Salaries & benefits	370,641	41.6%	366,973	40.6%	354,750	40.1%
16,199	23.0%	20,631	23.2%	23,298	25.3%	Drugs & supplies	221,139	24.8%	209,379	23.2%	207,298	23.4%
6,929	9.8%	6,689	7.5%	6,465	7.0%	Purchased services	67,795	7.6%	66,887	7.4%	65,199	7.4%
4,153	5.9%	3,831	4.3%	3,830	4.2%	FRA	41,577	4.7%	38,309	4.2%	38,313	4.3%
4,053	5.8%	4,037	4.5%	3,828	4.1%	Depreciation & amortization	39,683	4.5%	40,306	4.5%	38,890	4.4%
10,390	14.8%	10,704	12.0%	10,785	11.7%	Other expenses	106,768	12.0%	110,658	12.2%	109,488	12.4%
<b>\$ 75,758</b>	<b>107.7%</b>	<b>\$ 82,175</b>	<b>92.2%</b>	<b>\$ 83,285</b>	<b>90.3%</b>	<b>Total operating expenses</b>	<b>\$ 847,603</b>	<b>95.1%</b>	<b>\$ 832,512</b>	<b>92.1%</b>	<b>\$ 813,938</b>	<b>92.0%</b>
<b>\$ (5,409)</b>	<b>(7.7%)</b>	<b>\$ 6,937</b>	<b>7.8%</b>	<b>\$ 8,963</b>	<b>9.7%</b>	<b>Operating income</b>	<b>\$ 43,445</b>	<b>4.9%</b>	<b>\$ 71,439</b>	<b>7.9%</b>	<b>\$ 70,512</b>	<b>8.0%</b>
19,745	28.1%	-	0.0%	-	0.0%	Contributions	19,745	2.2%	-	0.0%	-	0.0%
3,694	5.3%	416	0.5%	2,779	3.0%	Investment income	(11,873)	(1.3%)	4,164	0.5%	1,744	0.2%
(946)	(1.3%)	(912)	(1.0%)	(1,005)	(1.1%)	Financing costs	(9,455)	(1.1%)	(9,438)	(1.0%)	(10,151)	(1.1%)
193	0.3%	142	0.2%	52	0.1%	Other non-operating	1,057	0.1%	1,420	0.2%	1,068	0.1%
(736)	(1.0%)	(734)	(0.8%)	(925)	(1.0%)	Transfers	(7,174)	(0.8%)	(7,220)	(0.8%)	(6,225)	(0.7%)
(1,250)	(1.8%)	(1,250)	(1.4%)	(833)	(0.9%)	Academic mission support	(12,500)	(1.4%)	(12,500)	(1.4%)	(8,333)	(0.9%)
<b>\$ 15,291</b>	<b>21.7%</b>	<b>\$ 4,599</b>	<b>5.2%</b>	<b>\$ 9,032</b>	<b>9.8%</b>	<b>Net income</b>	<b>\$ 23,245</b>	<b>2.6%</b>	<b>\$ 47,864</b>	<b>5.3%</b>	<b>\$ 48,615</b>	<b>5.5%</b>

# Financial Results – Ratios and Benchmarks

Actual	Plan	Consolidated Financial Results	Prior Year	FY20 Annual Plan	Moody's A Rated
<i>(\$000's)</i>					
\$891,048	\$903,951	Net Revenues	\$884,450	\$1,013,800	
(847,603)	(832,512)	Operating Expenses	(813,938)	(939,400)	
43,446	71,439	Operating Income	70,512	73,400	
(20,201)	(23,574)	Non-operating Revenues, Net	(21,898)	(25,800)	
\$23,245	\$47,864	Change in Net Assets	\$48,615	\$47,600	
<b>FINANCIAL RATIOS AND BENCHMARKS</b>					
4.9%	7.9%	Operating Margin Percent	8.0%	8.0%	2.2%
2.2%	4.9%	Annualized Return on Total Assets	4.6%	4.9%	3.9%
195.0%	207.6%	Cash to Total Debt	189.9%	199.7%	131.3%
23.8%	23.5%	Debt to Capitalization	25.7%	24.0%	32.2%
2.9	3.9	Maximum Annual Debt Service Coverage	4.5	3.9	4.7
198.2	208.1	Days Cash on Hand	211.2	215	215.1
40.0	50.2	Net Days Revenue in AR	52.1	50.0	45.9

# COVID-19 Hospital Cash Impact



# COVID-19

- **Total Expenses YTD - \$3.3M**
- **CARES Act/Public Health & Social Services Emergency Fund (PHSSEF)**
  - Initial Payment of \$30B on 4/10/2020 - \$11.8M
    - Medicare fee-for-service revenue
  - Second Payment of \$20B on 4/24/2020 - \$7.9M
    - General provider revenue
- **COVID Utilization Disbursement**
- **Uninsured Reimbursement Program**
- **FEMA**
  - Initial request for public assistance completed



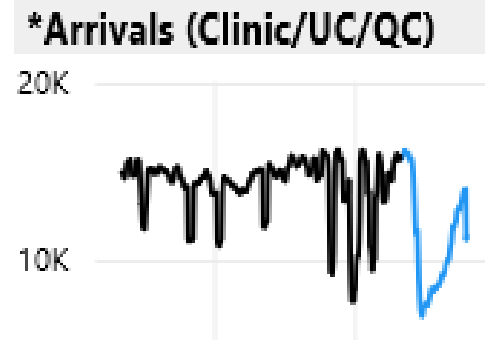
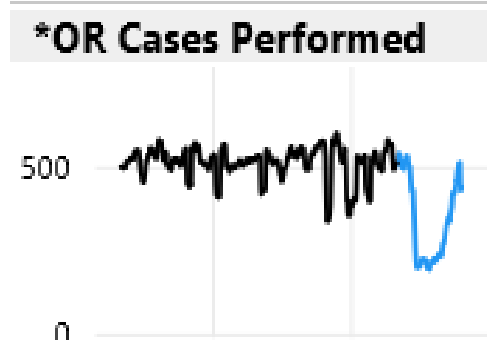
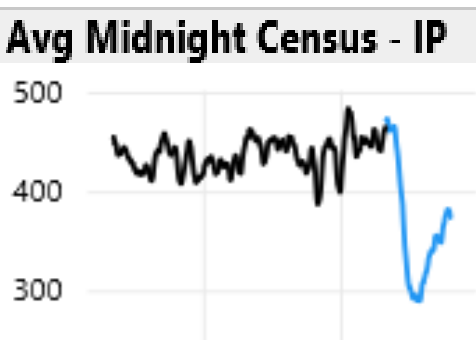
# COVID-19 Impact Action Plans

## Revenue

- Stimulus funds
- Increase elective cases, based upon clinical prudence
- Execution of facility and service line specific re-emergence plans

## Expense

- Innovation
  - Telehealth
  - Consolidation
- Staffing Efficiency
  - Volume-based
  - Decreased exec compensation
  - Furlough fixed positions
  - Hold/eliminate vacant positions
  - Decreased OT and Agency



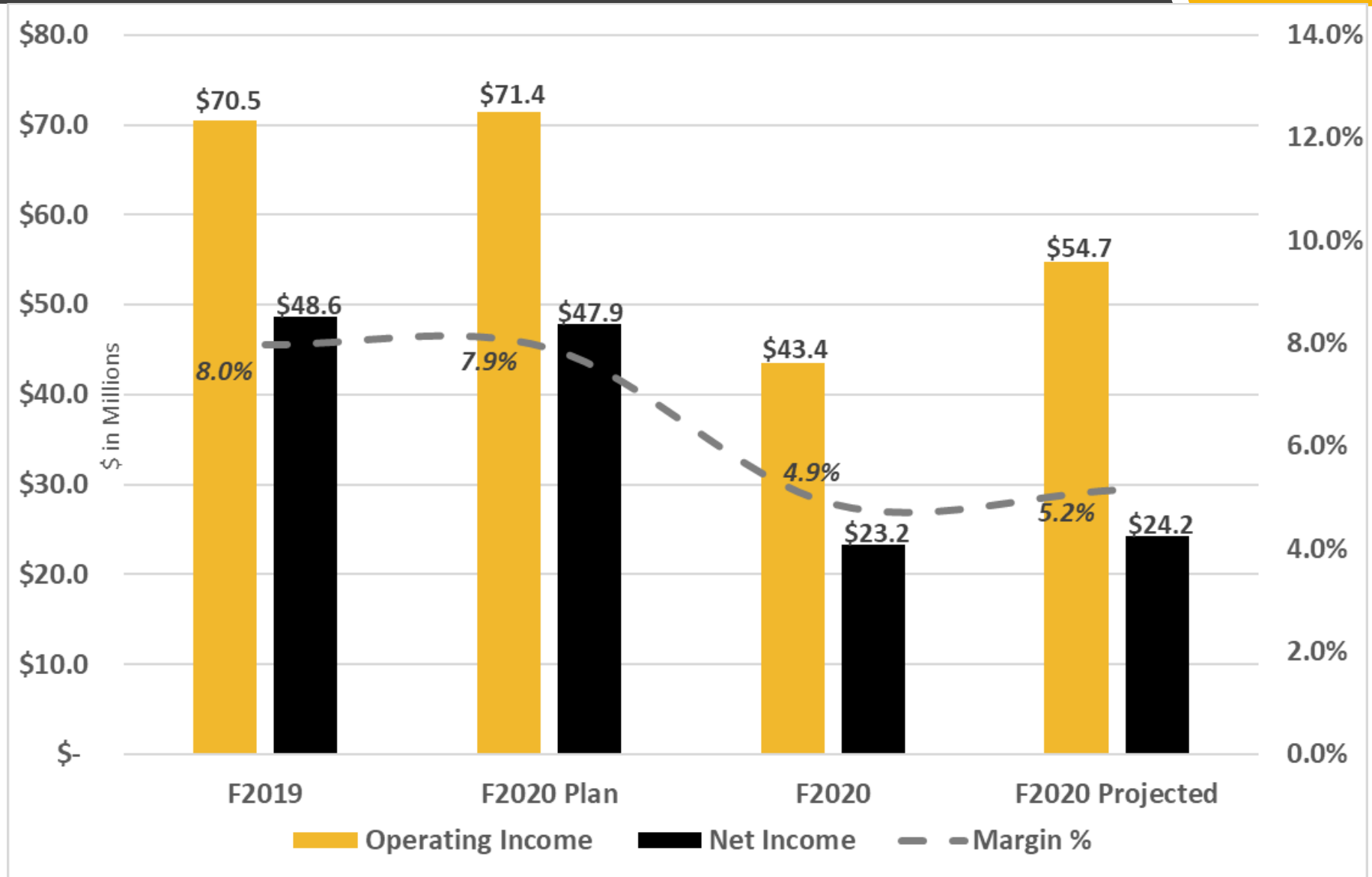
Represents 7-day rolling averages

# Capital

Description	Capital Budget FY20	Projected Spending 6/30/2020	Actual Spending 05/18/2020	Remaining Projected Spend FY20
Minor Equipment (Under \$250K)	\$ 6,866,850	\$ 6,269,192	\$ 5,200,501	\$ 1,068,691
Major Equipment (Over \$250K)	12,066,000	9,844,350	8,597,207	1,247,142
Minor Renovation Projects (Under \$5M)*	27,067,150	21,512,506	11,028,000	10,484,506
Major Renovation Projects (Over \$5M)*	68,885,609	38,636,408	27,383,347	11,253,061
TIPS (IT)	10,000,000	10,000,000	7,914,653	2,085,347
<b>Total**</b>	<b>\$ 124,885,609</b>	<b>\$ 86,262,456</b>	<b>\$ 60,123,709</b>	<b>\$ 26,138,747</b>

- Cath Lab
- Hybrid CT and IR Large Suite
- Project - PCT 3rd and 4th Floor Fit Out
- Medical Center Renovation at Berrywood
- MRI 3T Wide Bore

# FY2020 Projection



# BY21 Volume Assumptions

- Revised Key Volumes to assume continued Q1 ramp-up to Pre-COVID BY20 volumes.
  - Pre-COVID pace: Jul = **88%**; Aug = **92%**; Sep = **96%**
- October through June assumes we are **100% back on track** to BY20 pre-COVID pace
- Added in **50%** of the original projected BY21 growth for Cardiovascular, Neurosciences and Orthopaedics
- Assumes **15%** Telehealth visits
- Does not assume any increase related to deferred volume

# BY21 Consolidated Financials

	Actual 19	Budget 20	Actual 20 Feb Annualized	Budget 21	Variance FY20 Feb Annl to Budget 21	% Variance
Net Patient Revenues	973,458,291	972,413,774	974,711,179	975,441,895	730,716	0.1%
Other Operating Revenues	23,948,132	24,931,910	25,051,735	24,024,842	(1,026,893)	-4.1%
Retail Pharmacy	88,565,100	90,767,443	104,696,407	105,423,168	726,761	0.7%
<b>Total Net Revenues</b>	<b>1,085,971,523</b>	<b>1,088,113,127</b>	<b>1,104,459,321</b>	<b>1,104,889,905</b>	<b>430,584</b>	<b>0.0%</b>
Salary & Wages	319,333,566	327,482,122	335,178,311	327,454,424	7,723,887	2.3%
Benefits	105,963,812	113,040,592	111,497,537	117,856,000	(6,358,463)	-5.7%
Medical Supplies	116,704,452	114,945,003	126,175,369	129,460,965	(3,285,596)	-2.6%
Drug Supplies	121,742,686	123,848,088	134,098,462	132,151,107	1,947,355	1.5%
Non Medical Supplies	13,033,975	12,890,885	12,665,093	12,259,416	405,677	3.2%
Shared System Services	(0)	(0)	(0)	0	(0)	
Purchased Services and Support	78,418,122	80,264,869	80,960,422	79,818,819	1,141,603	1.4%
FRA	45,981,183	45,970,564	49,889,260	49,883,518	5,742	0.0%
Depreciation	46,934,755	48,646,296	47,381,304	52,048,579	(4,667,275)	-9.9%
Other Expenses	135,752,943	133,783,605	128,658,942	133,928,328	(5,269,386)	-4.1%
<b>Total Operating Expenses</b>	<b>983,865,495</b>	<b>1,000,872,026</b>	<b>1,026,504,701</b>	<b>1,034,861,156</b>	<b>(8,356,456)</b>	<b>-0.8%</b>
<b>Operating Income</b>	<b>102,106,028</b>	<b>87,241,101</b>	<b>77,954,620</b>	<b>70,028,749</b>	<b>(7,925,871)</b>	<b>-10.2%</b>
<i>before State Appropriations, Non Operating Rev(Exp), and Transfers</i>						

Operating Margin

9.4%

8.0%

7.1%

6.3%

# Changes to Labor Expense

- **Reduced agency spend by \$11.6M**, converting to regular hours at significantly lower cost
- Continue to **improve efficiency** against benchmarks
- **Added 64 FTEs** for new operations and conversions (Battle, Broadway Urgent Care, Boonville, Thompson Center, CFMG and CSS)
- **Reduced 160 FTE** through efficiency, reorganization and furlough
- Net reduction of **96 FTE** from February Annualized (1.7%)

# Expense per Adjusted Discharge

When factoring for inflation and comparing to same book of business, MU Health Care has **eliminated over \$27.0M (2.6%) in expenses** for BY21.

	Feb Ann	BY21
Total Expense per Adjusted Discharge	\$ 18,411	\$ 18,509
Impact of \$16.9M of inflation	304	
Back out New Venture Expenses	-	(275)
<b>Adjusted Total Expense/AD</b>	<b>\$ 18,715</b>	<b>\$ 18,234</b>

Inflation: Market Pool = \$3.3M, Benefits increase = \$5.6M, Supply Inflation = \$8.0M

New Business: CSS/CFMG/Thompson Center = \$6.9M, Primary Care Expansions = \$3.5M, Other=\$5M

# Implementing Rolling Budget Forecast

- **MU Health Care will be implementing a rolling budget process beginning September 2020**
  - Financially nimble, allowing for real-time adjustments to meet changing business conditions
  - More relevant data to make decisions on investment of resources
  - Focus on improvement year-over-year
  - Increased stewardship and accountability



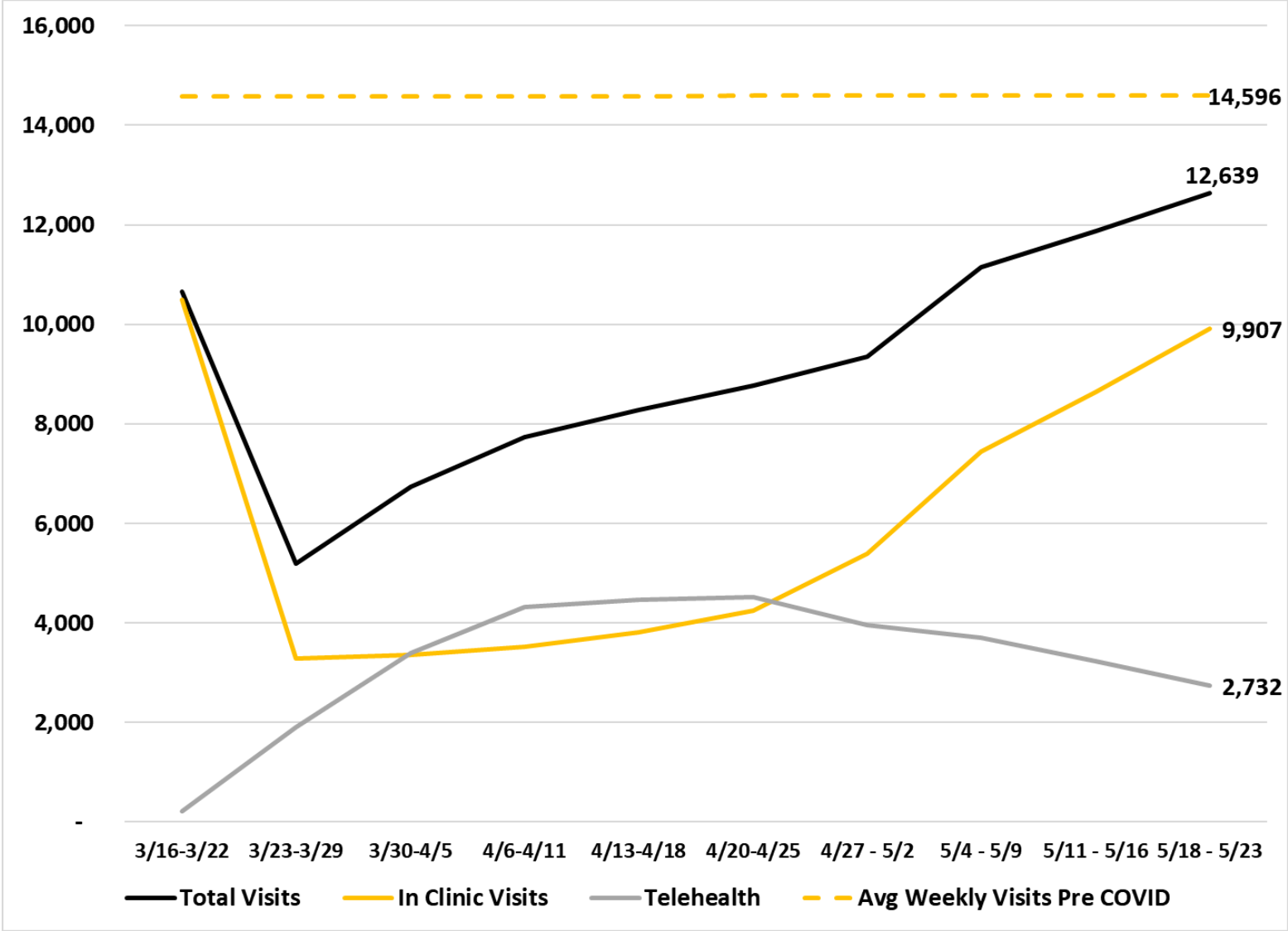


# **School of Medicine Finance Updates**

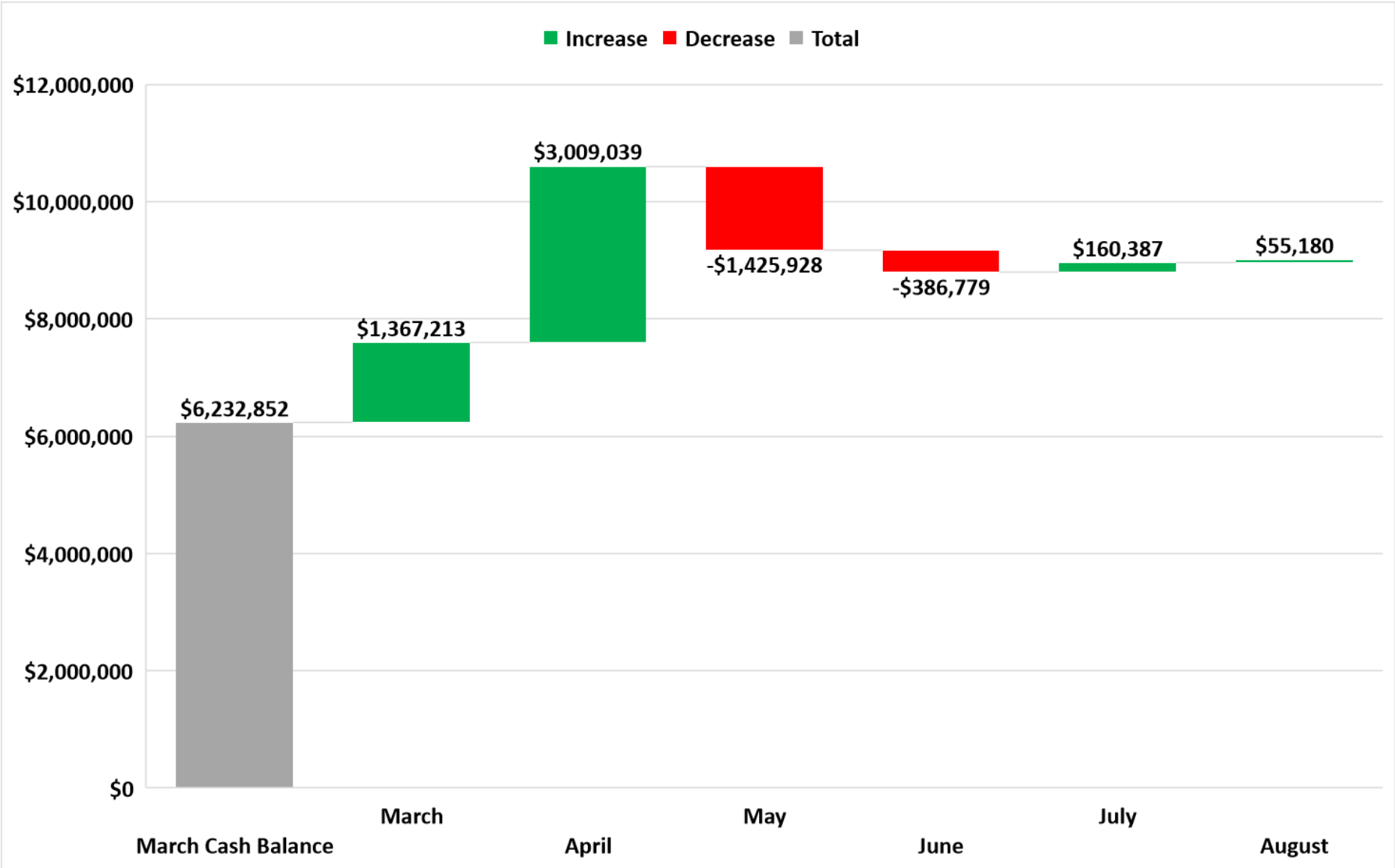
# Financial Results – SoM April YTD

	FY20 April YTD Actuals	FY20 April YTD Budget	Variance	FY19 April YTD Actuals
Net Clinical Revenue	205,131,612	190,358,606	14,773,006	184,224,598
Grants & Contracts	45,951,351	40,803,602	5,147,749	39,523,211
Other Income	6,519,721	6,493,583	26,137	6,881,068
Gifts / Endowment Income	5,946,277	4,649,057	1,297,220	5,643,248
State Approp / Tuition & Fee:	32,986,107	31,409,982	1,576,126	33,492,124
MUHC Support	59,542,745	55,750,826	3,791,920	55,004,037
<b>Total Revenues</b>	<b>356,077,813</b>	<b>329,465,656</b>	<b>26,612,157</b>	<b>324,768,285</b>
Salary & Wages	225,948,457	225,348,324	(600,133)	211,047,960
Benefits	51,857,532	52,606,281	748,749	49,381,020
Operating Expenses	58,231,900	50,418,368	(7,813,532)	57,759,460
Student Aid	2,720,205	2,239,751	(480,454)	2,240,405
F&A	8,693,382	8,473,893	(219,489)	7,080,744
<b>Total Operating Expenses</b>	<b>347,451,476</b>	<b>339,086,617</b>	<b>(8,364,859)</b>	<b>327,509,589</b>
<b>Net Income</b>	<b>8,626,337</b>	<b>(9,620,961)</b>	<b>18,247,298</b>	<b>(2,741,304)</b>

# COVID Impacts: Clinical Visits



# COVID-19 SOM Cash Impact



# State Appropriations

- FY20: -\$3.5M Reduction (Based on Total Assets)
- FY21 Round 1: -\$3.9M = 12.5% (from \$31m GRA allocation)
- FY21 Round 2 (Best Case): -\$2.9M additional reduction
- FY21 Round 2 (Most Likely): -\$6.9M additional Reduction
- FY21 Total Reduction Range: -\$6.8M-\$10.8M

# COVID-19 Impact Action Plans

- **Short Term:**
- Reduced faculty & staff salaries by 10% May-July
- Holding 100 open staff & faculty positions
- Reduction of business meeting & travel expenses
- **Longer Term:**
- Non-renew non-tenure track faculty
- Administrative consolidation (Finance, HR, other)
- Tenured faculty with less than .5 funded effort reduced to .75FTE (sources can be teaching or research)