

UConn HEALTH

June 24, 2015

TO: Members of the Board of Trustees

FROM: Jeffrey P. Geoghegan
Chief Financial Officer



RE: Spending Plan for Fiscal Year 2016 for UConn Health

RECOMMENDATION:

That the Board of Trustees approve the Spending Plan for Fiscal Year 2016 of \$1,023,556,848 for UConn Health.

BACKGROUND:

The Fiscal Year 2016 Spending Plan includes \$1,023,556,848 of revenue, including State support of \$233,183,064 to cover \$1,023,556,848 in expenses.

Highlights

UCH's proposed spending plan for FY16 projects an operating loss of \$15,963,189. However, decreasing the FY16 capital spend to \$13,182,167 will balance the requested Spending Plan budget in FY16.

Assumptions

- **Revenues:**

The State appropriation for FY16 for UConn Health is \$137.3 million. UConn Health expects State fringe benefit support of \$82.4 million, along with \$13.5 million for the John Dempsey Hospital fringe benefit differential. Of UConn Health's \$986.9 million in revenue for FY16, sources other than the State appropriation account for an increase of \$41.2 million. Clinical revenue is budgeted at \$445.8 million, a 7.5% increase over FY15. Clinical revenues for JDH are budgeted to increase 5.5% over FY15. The revenue increase is due to volume increase, a rate increase of 2% and the remaining portion is attributable to the new hospital tower. For the UConn Medical Group (UMG), the overall increase to net patient revenue is 15.7% which is based on volume and a 1% rate increase.

In FY16, we expect research revenue to decrease by 3.4%. Research revenue is budgeted at \$78.7 million. Income related to the placement of interns and residents is \$64.6 million, an increase of 7.8%. Tuition and fee revenue is \$22.6 million, which reflects the rate increases previously approved by the Board. \$92.4 million (on both the revenue and the expense side) reflects the contract with the Department of Correction for inmate health services.

- **Expenses:**

Salaries and fringes are budgeted at \$588.4 million, an increase of 8.4% primarily related to bargaining unit salary increases based on the SEBAC agreement and an increase to health, dental and pharmacy insurance benefits along with retirement rate increases. Utilities are increasing by 9.0% or \$1.2 million, and Repairs and Maintenance is increasing by 8.8% due to the full year of the Outpatient Pavilion. Drugs and medical supplies are increasing by \$4.3 million due to an expected increase in volume. The increase in salaries and fringes, medical supplies, drugs, utilities, repairs and maintenance also includes the new hospital tower expected to open in the last quarter of FY16. Debt service is increasing by \$7.1 million due to the full year of interest payments for the Outpatient Pavilion.

**Fiscal Year 2016
Spending Plan**

Total Operating Revenue	\$ 753,704,284	
State Support	233,183,064	
Restricted Balances:		
Use Allowance	6,300,000	
State Bond Funds	29,369,500	
Departmental /Grant Funds	<u>1,000,000</u>	
Total Available for Spending		\$ 1,023,556,848
Total Operating Expenses (less depreciation)	\$ 964,564,352	
Current Approved Capital Projects	2,243,000	
Working Capital Needs	2,000,000	
FY 2016 Capital Spending	13,182,167	
Use Allowance	6,300,000	
State Bond Funds	28,769,500	
Departmental /Grant Funds	1,000,000	
Principal Payment on Debt	5,497,829	
Total Spending Plan		\$ 1,023,556,848
Excess/(Deficiency)		<u><u>-</u></u>

**Proposed Operating Budget
Fiscal Year 2016**

and

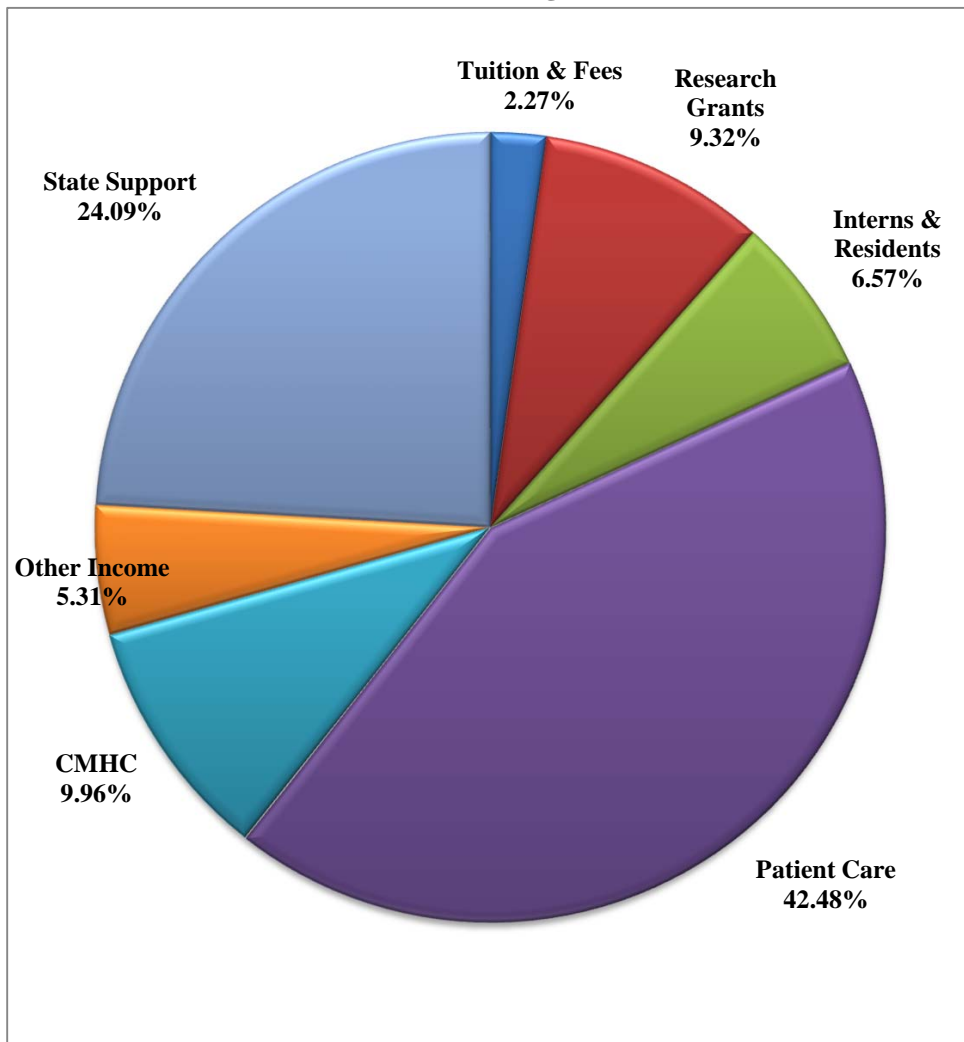
Review of Fiscal Year 2015

Board of Directors Meeting

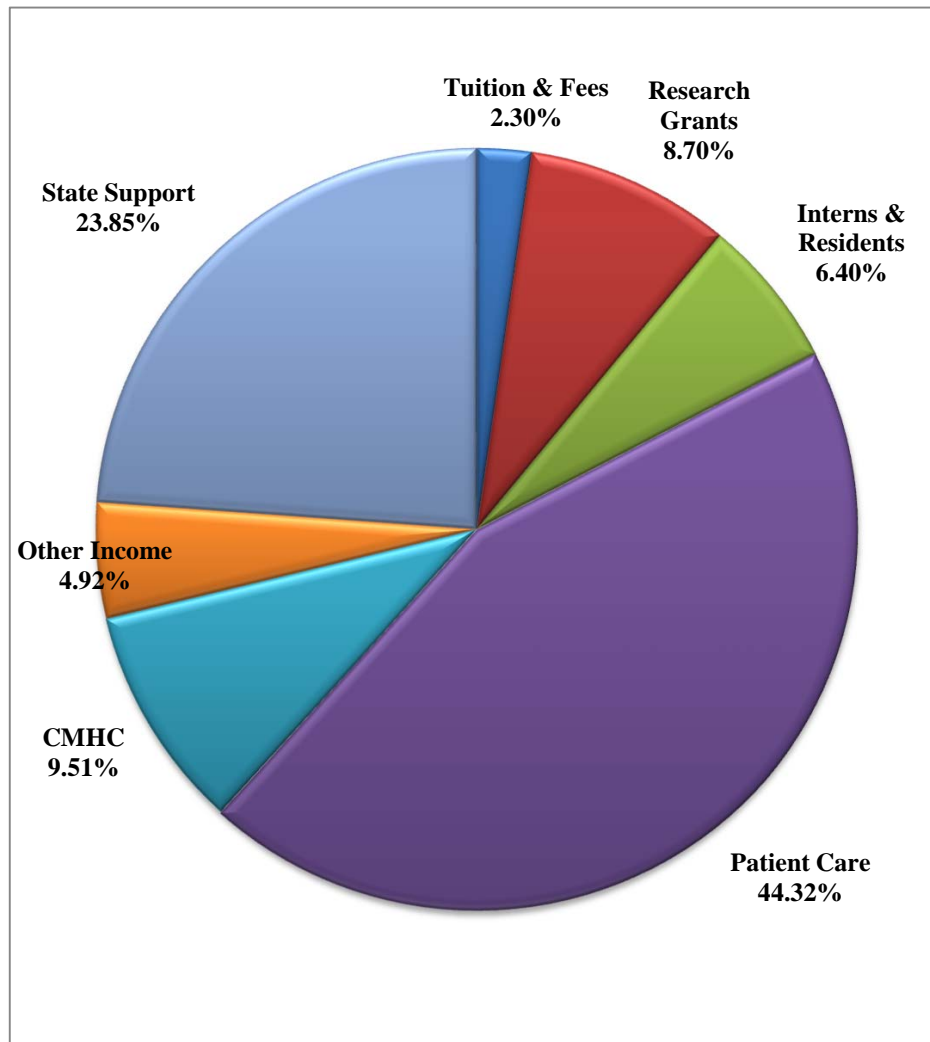
June 15, 2015

Revenues by Source

FY2015 Budget



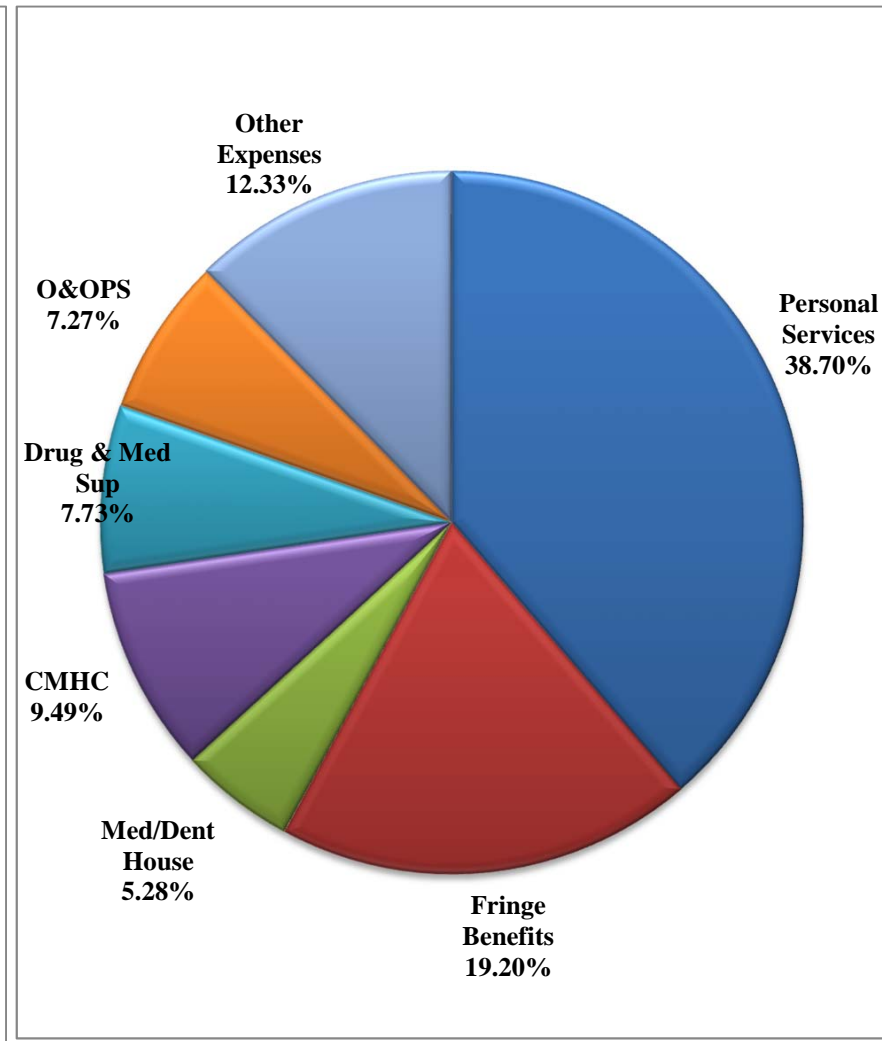
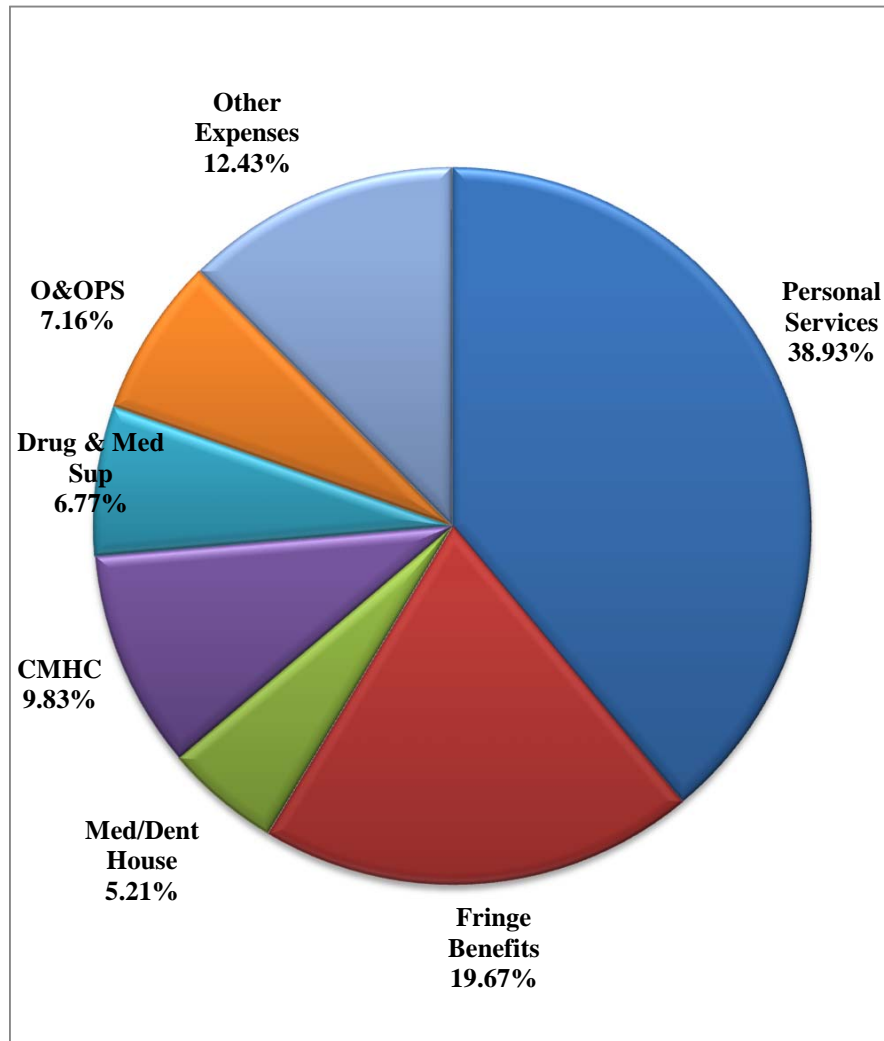
FY2015 Forecast



Expenses by Source

FY2015 Budget

FY2015 Forecast



Current Fiscal Year Highlights

Fiscal Year 2015 Budget vs. Fiscal Year 2015 Forecast

Revenue Changes:

- Research grants and contract decreased by \$6.4M (offset by expense decrease)
- Auxiliary Enterprises \$3.2M decrease due to parking operations and external contracts
- Interns and Residents revenue \$2.1M decrease (offset by expense decrease)
- Net Patient Care revenue increased by \$14.4M resulting from higher than expected volumes in the Hospital
 - John Dempsey Hospital \$21.3M increase
 - UConn Medical Group \$6.3M decrease
 - Dental Clinics and Ambulance Service \$606K decrease
- Correctional Managed Health Care \$4.9M decrease (offset by expense decrease)
- Other income decreased by \$1.6M due to hemophilia clinic and CCMC NICU agreement (offset by expense decrease)
- Decrease in state support of \$3.7M due to rescissions

Expense Changes:

- Salary and fringe benefits are under budget \$16.5M due to management's review of new positions and refilling of vacancies
- Medical contractual support is under budget by \$922K due to anesthesiology agreement
- Correctional Managed Health Care \$4.9M expense decrease (offset by revenue decrease)
- Drugs and medical supplies increased by \$7.9M due to volume increase in the hospital

Consolidated Statement of Revenues and Expenses (with Eliminations)

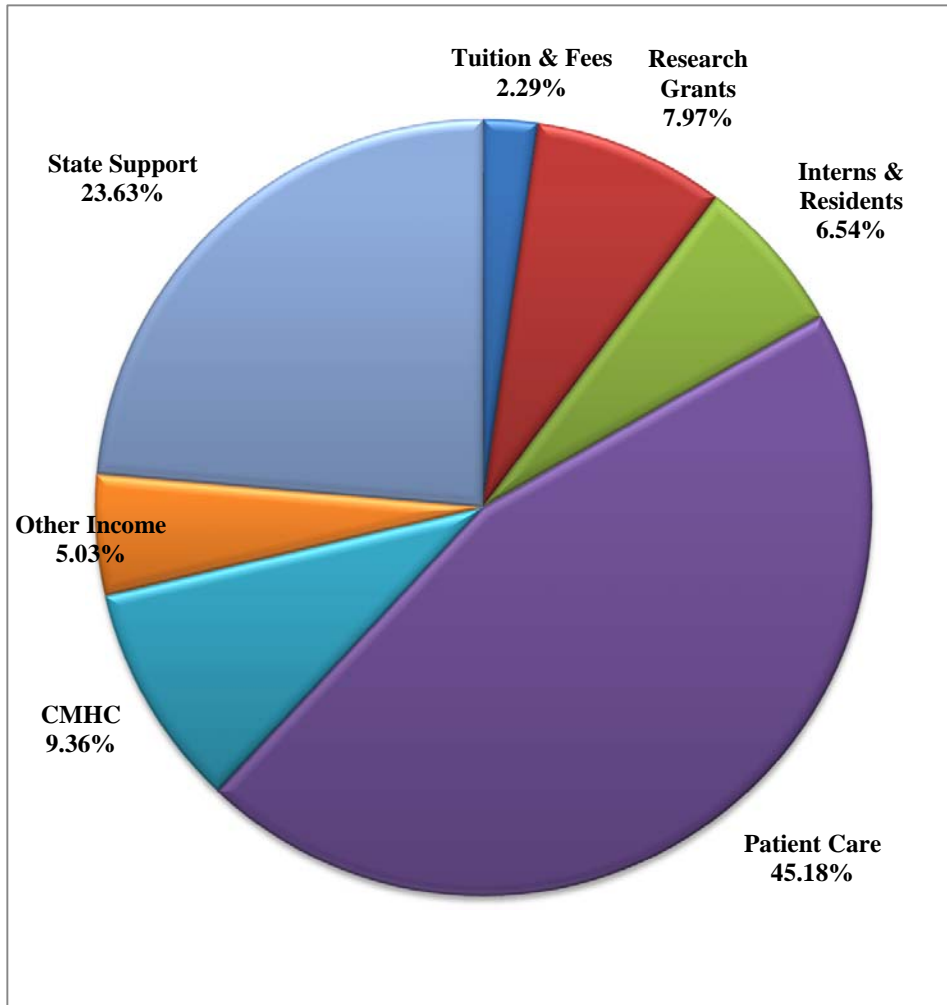
Fiscal Year 2015 Budget vs. Fiscal Year 2015 Forecast

	Fiscal Year 2015	Fiscal Year 2015		
	Approved Budget	Forecast	Variance	Percent Variance
Revenues:				
Tuition & Fees	\$ 21,416,731	\$ 21,483,767	\$ 67,036	0.3%
Research Grants and Contracts	87,829,615	81,433,508	(6,396,107)	-7.3%
Auxiliary Enterprises	18,685,454	15,466,603	(3,218,851)	-17.2%
Interns and Residents	61,948,103	59,897,448	(2,050,655)	-3.3%
Net Patient Care	400,294,965	414,730,362	14,435,397	3.6%
Correctional Managed Health Care	93,861,152	88,985,190	(4,875,962)	-5.2%
Gift & Endowment Income	6,271,717	7,156,726	885,009	14.1%
Other Income	24,970,754	23,342,198	(1,628,556)	-6.5%
Total Revenue	\$ 715,278,491	\$ 712,495,802	\$ (2,782,689)	-0.4%
Expenses:				
Salary Expense	\$ 371,716,466	\$ 362,970,433	\$ (8,746,033)	-2.4%
Fringe Benefits	187,817,300	180,045,549	(7,771,751)	-4.1%
Medical/Dental House Staff	49,733,252	49,515,891	(217,361)	-0.4%
Medical Contractual Support	20,591,496	19,668,552	(922,944)	-4.5%
Correctional Managed Health Care	93,861,152	88,985,190	(4,875,962)	-5.2%
Temporary/Per Diem Staff	1,214,456	965,646	(248,810)	-20.5%
Utilities	13,276,303	13,027,918	(248,385)	-1.9%
Outside & Other Purchased Services	68,401,810	68,157,823	(243,987)	-0.4%
Insurance	4,658,063	4,635,445	(22,618)	-0.5%
Repair and Maintenance	10,304,857	9,680,855	(624,002)	-6.1%
Drugs	21,620,539	23,841,189	2,220,650	10.3%
Medical Supplies	42,968,812	48,667,759	5,698,947	13.3%
Other Expenses	28,850,612	27,487,502	(1,363,110)	-4.7%
Debt Service	3,452,029	3,395,504	(56,525)	-1.6%
Depreciation	36,262,543	36,753,132	490,589	1.4%
Total Expenses	\$ 954,729,690	\$ 937,798,388	\$ (16,931,302)	-1.8%
Excess/(Deficiency) of Revenues over Expenses				
	\$ (239,451,199)	\$ (225,302,586)	\$ 14,148,613	-5.9%
State Appropriation-Block Grant	134,880,720	134,880,720	-	0.0%
GF Appropriation Rescission	-	(3,745,775)	(3,745,775)	-100.0%
GF RIP Appropriation	289,439	289,439	-	0.0%
State Supported Fringe Benefits	91,787,656	91,787,656	-	0.0%
Excess/(Deficiency)	\$ (12,493,384)	\$ (2,090,546)	\$ 10,402,838	83.3%
Total State Support	226,957,815	223,212,040	(3,745,775)	-1.7%
State Support as a Percentage of Total Revenues	24.09%	23.85%		

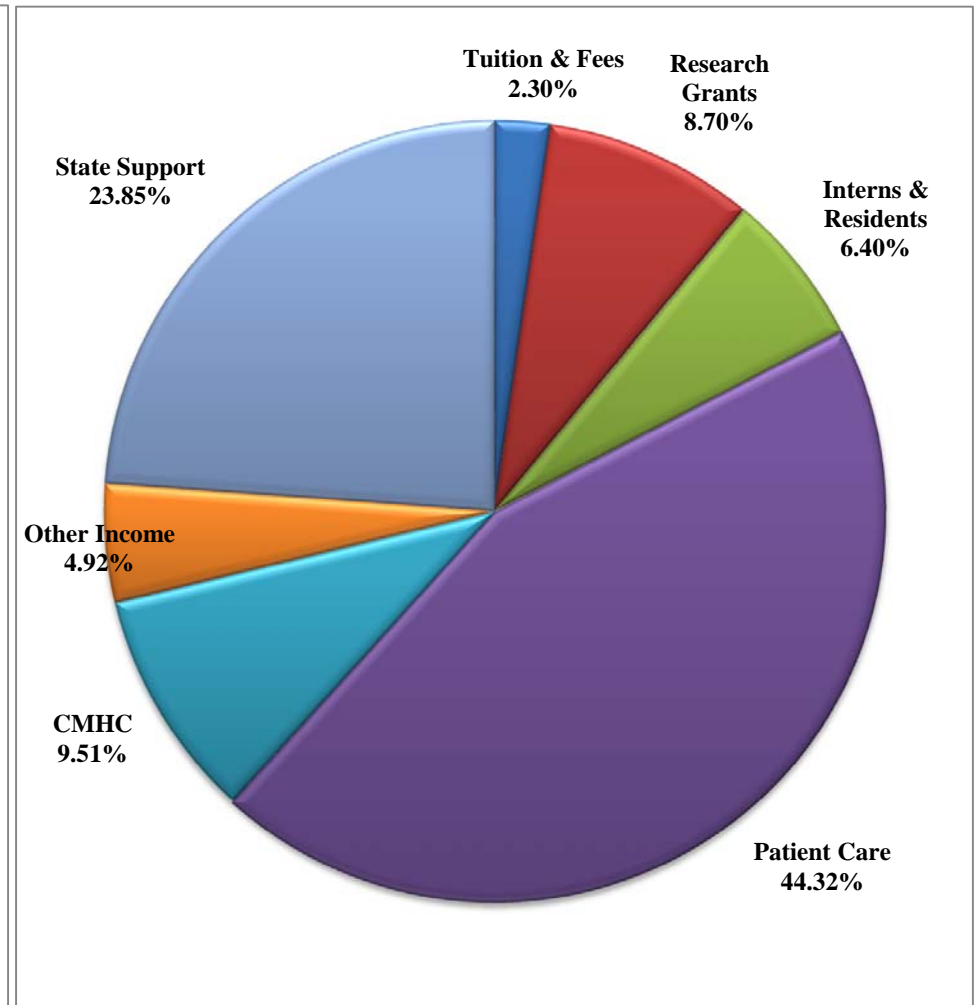
**Proposed Operating Budget
Fiscal Year 2016**

Revenues by Source

FY2016 Proposed Budget

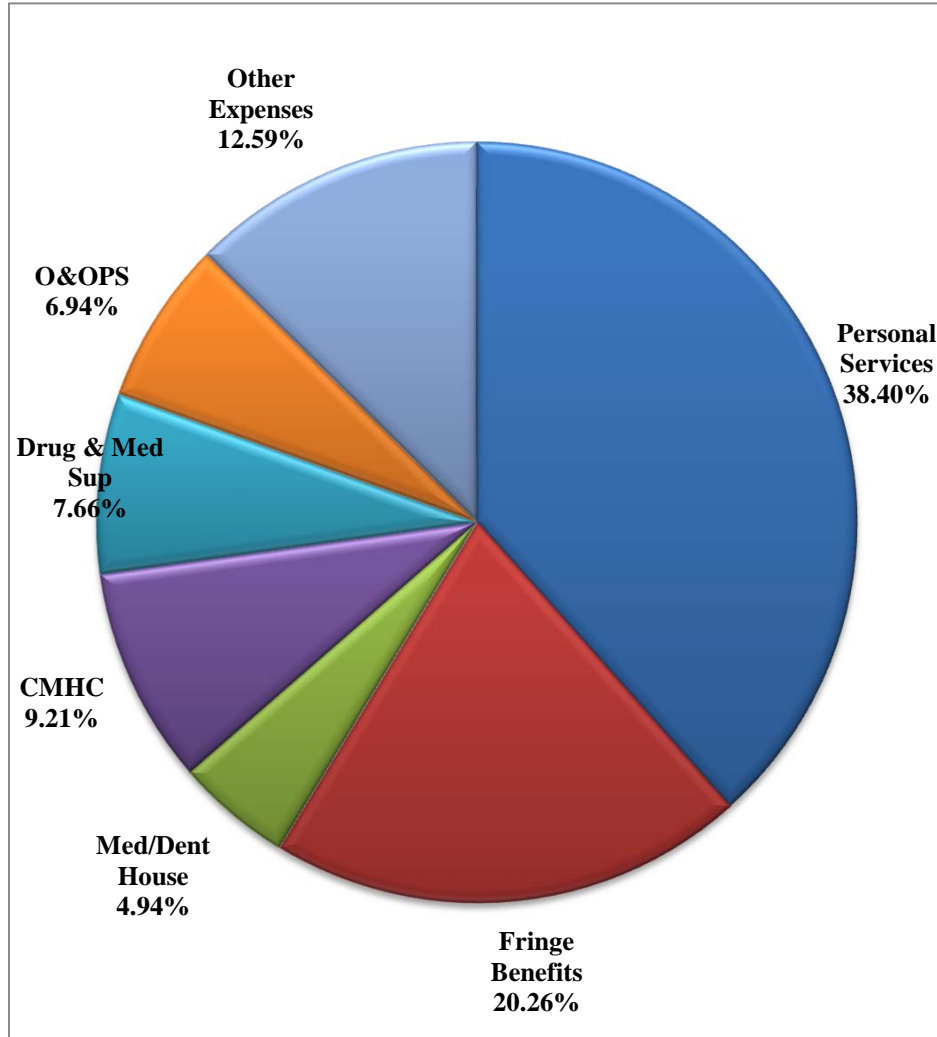


FY2015 Forecast

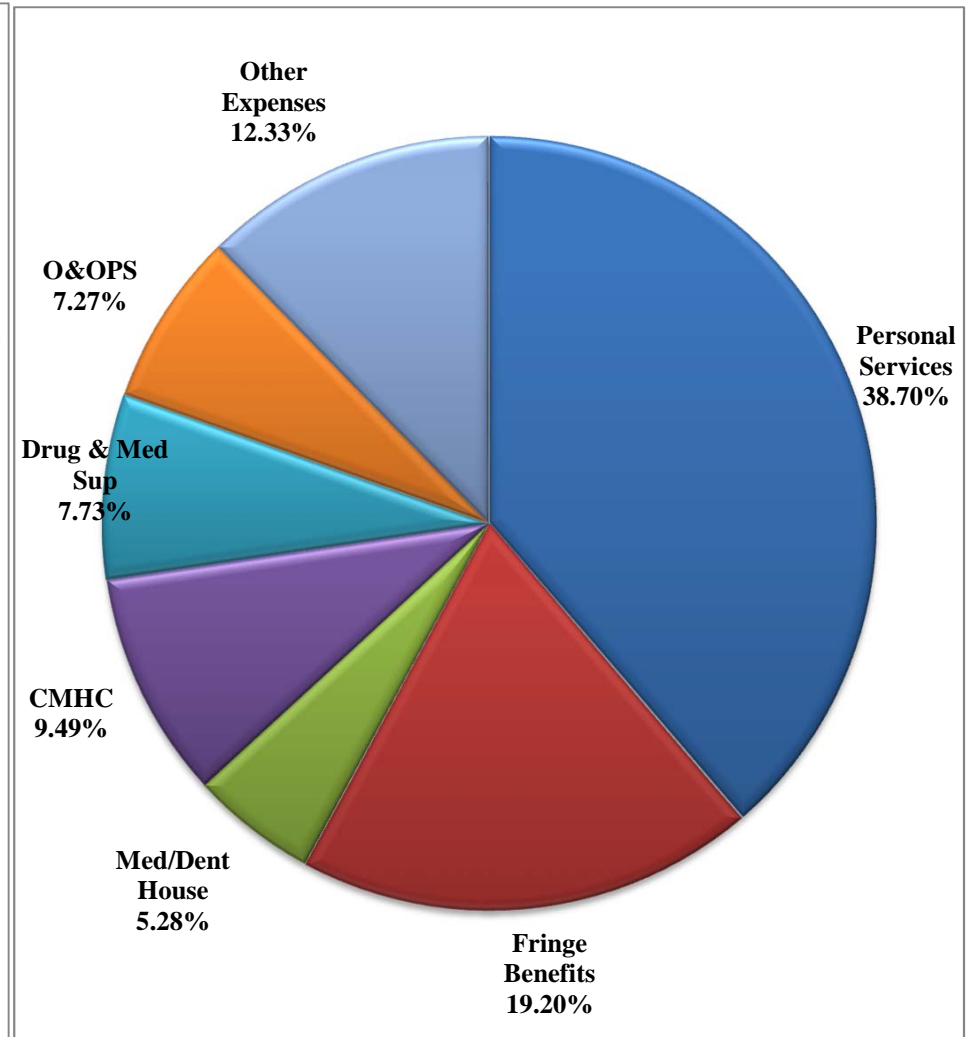


Expenses by Source

FY2016 Proposed Budget



FY2015 Forecast



Proposed Operating Budget Fiscal Year 2016 Assumptions

Revenue

- Tuition and fees \$1.2M increase for the School of Medicine (SOM) and School of Dental Medicine (SODM) assumes approved rate increase
- Federal and non federal grants revenue 3.4% decrease projected by Research Administration
- Interns and residents revenue increased by 7.8% due to higher fees and expenses for the GME program
- Net patient revenue had an overall increase of \$31.1M - UMG \$13M or 15.7% (1% rate and the remaining is volume) and JDH \$18M or 5.5% (2% rate increase, and the remaining is volume and new hospital beds)
- Correctional Managed Health Care increase of 3.8% (offset by expense increase)
- Gift & endowment income increase of \$1.8M due to an increase in foundation dollars for capital projects
- State appropriation increase of 4.5% based on final approved state budget

Expenses

- Salaries increases as follows:
 - based on SEBAC agreement (4.5% bargaining unit increases for non-faculty and 5% for AAUP faculty)
- Fringe benefit increase (estimated state retirement increase and potential hybrid plan transfers)
- Utilities, repairs and maintenance increase of \$2.0M is mainly related to a full year of the Outpatient Pavilion and new hospital for last three months
- Drugs and medical supplies increase of \$4.3M due to volume increase in the hospital
- Debt service increase of \$7.1M is due to a full year of interest expense for the Outpatient Pavilion

**Consolidated Statement of Revenues and Expenses (with Eliminations)
Fiscal Year 2015 Forecast vs. Fiscal Year 2016 Proposed Budget**

	Fiscal Year 2015	Fiscal Year 2016		
	Forecast	Proposed Budget	Variance	Percent Variance
Revenues:				
Tuition & Fees	\$ 21,483,767	\$ 22,639,548	\$ 1,155,781	5.4%
Research Grants and Contracts	81,433,508	78,704,254	(2,729,254)	-3.4%
Auxiliary Enterprises	15,466,603	16,679,182	1,212,579	7.8%
Interns and Residents	59,897,448	64,589,099	4,691,651	7.8%
Net Patient Care	414,730,362	445,808,412	31,078,050	7.5%
Correctional Managed Health Care	88,985,190	92,358,473	3,373,283	3.8%
Gift & Endowment Income	7,156,726	8,952,001	1,795,275	25.1%
Other Income	23,342,198	23,973,315	631,117	2.7%
Total Revenue	\$ 712,495,802	\$ 753,704,284	\$ 41,208,482	5.8%
Expenses:				
Salary Expense	\$ 362,970,433	\$ 385,113,386	\$ 22,142,953	6.1%
Fringe Benefits	180,045,549	203,252,084	23,206,535	12.9%
Medical/Dental House Staff	49,515,891	49,496,596	(19,295)	0.0%
Medical Contractual Support	19,668,552	19,387,745	(280,807)	-1.4%
Correctional Managed Health Care	88,985,190	92,358,473	3,373,283	3.8%
Temporary/Per Diem Staff	965,646	877,925	(87,721)	-9.1%
Utilities	13,027,918	14,196,164	1,168,246	9.0%
Outside & Other Purchased Services	68,157,823	69,587,879	1,430,056	2.1%
Insurance	4,635,445	4,546,851	(88,594)	-1.9%
Repair and Maintenance	9,680,855	10,534,976	854,121	8.8%
Drugs	23,841,189	26,211,684	2,370,495	9.9%
Medical Supplies	48,667,759	50,617,493	1,949,734	4.0%
Other Expenses	27,487,502	27,895,886	408,384	1.5%
Debt Service	3,395,504	10,487,210	7,091,706	208.9%
Depreciation	36,753,132	38,286,185	1,533,053	4.2%
Total Expenses	\$ 937,798,388	\$ 1,002,850,537	\$ 65,052,149	6.9%
Excess/(Deficiency) of Revenues over Expenses				
	\$ (225,302,586)	\$ (249,146,253)	\$ (23,843,667)	10.6%
State Appropriation-Block Grant	134,880,720	137,274,756	2,394,036	1.8%
GF Appropriation Rescission	(3,745,775)	-	3,745,775	-100.0%
GF RIP Appropriation	289,439	-	(289,439)	-100.0%
State Supported Fringe Benefits	91,787,656	95,908,308	4,120,652	4.5%
Excess/(Deficiency)	\$ (2,090,546)	\$ (15,963,189)	\$ (13,872,643)	-663.6%
Total State Support	223,212,040	233,183,064	9,971,024	4.5%
Percent of Total Revenues	23.85%	23.63%		

Budget Assumptions - Clinical JDH Fiscal Year 2016

- **Net Patient Revenue assumes**

Summary of Net Patient Revenue Change:

	Fiscal Year 2015 Forecast	Fiscal Year 2016 Proposed Budget	Variance	% Variance
Average Daily Census	108.6	115.9	7.3	6.7%
Patient Days	39,634	42,416	2,782	7.0%
Discharges	9,017	9,640	623	6.9%
Adjusted Discharges	23,574	24,537	963	4.1%
Outpatient Equivalents	14,557	14,897	340	2.3%

John Dempsey Hospital Statement of Revenues and Expenses Fiscal Year 2015 Forecast vs. Fiscal Year 2016 Proposed Budget

	Fiscal Year 2015	Fiscal Year 2016		
	Forecast	Budget Proposed	Variance	Percent Variance
<u>Revenues:</u>				
Net Patient Care Revenue	\$ 324,558,278	\$ 342,550,934	\$ 17,992,656	5.5%
Other Income	23,633,612	27,017,489	3,383,877	14.3%
Total Revenue	\$ 348,191,890	\$ 369,568,423	\$ 21,376,533	6.1%
<u>Expenses:</u>				
Salary Expense	\$ 106,611,872	\$ 115,378,293	\$ 8,766,421	8.2%
Fringe Benefits	57,919,128	68,372,614	10,453,486	18.0%
Internal Contractual Support	55,067,198	62,403,034	7,335,836	13.3%
Medical/Dental House Staff	2,300,000	3,000,000	700,000	30.4%
Medical Contractual Support	4,422,414	3,787,372	(635,042)	-14.4%
Temporary/Per Diem Staff	693,007	646,059	(46,948)	-6.8%
Utilities	2,256,598	3,307,477	1,050,879	46.6%
Outside & Other Purchased Serv	31,719,825	30,929,205	(790,620)	-2.5%
Insurance	3,390,658	3,367,075	(23,583)	-0.7%
Repair and Maintenance	7,582,545	7,950,847	368,302	4.9%
Drugs	21,045,590	23,152,463	2,106,873	10.0%
Medical Supplies	35,917,746	38,084,617	2,166,871	6.0%
Other Expenses	2,260,059	3,626,196	1,366,137	60.4%
Depreciation	7,917,931	8,188,768	270,837	3.4%
Total Expenses	\$ 339,104,571	\$ 372,194,020	\$ 33,089,449	9.8%
<u>Excess/(Deficiency) of Revenues over Expenses</u>	\$ 9,087,319	\$ (2,625,597)	\$ (11,712,916)	128.9%

Budget Assumptions - Clinical UMG Fiscal Year 2016

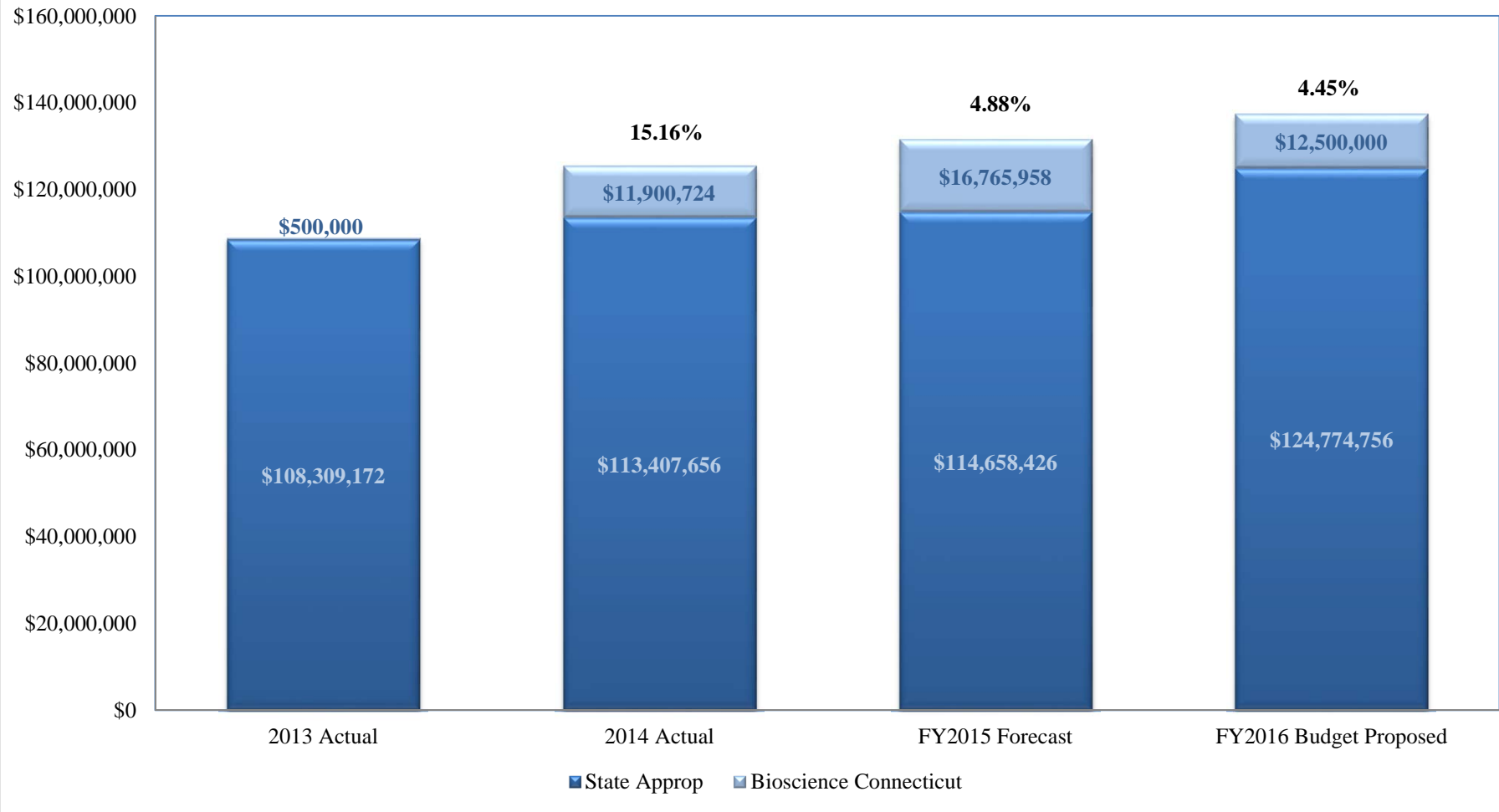
- Net Patient Revenue assumes a 1% rate increase

Summary of Net Patient Revenue Change	Net Rev Var	Encounters Var	RVU Var	FTE Var
FY15 Departing Providers	(1,293,190)	(11,217)	(15,965)	(4.46)
FY15 New Providers	5,111,111	38,575	54,875	18.48
Providers with FTE Decreases	(228,447)	(2,242)	(3,848)	(0.70)
Return from Maternity-Sick Leave in FY15/Retirement-Sabbatical in FY16 (net)	597,426	3,209	7,138	-
Yr 2 & 3 Ramp Ups	1,881,759	10,179	18,299	-
FY16 New Providers/Rate increase	2,920,044	33,211	32,041	9.06
Anesthesiology	943,616	1,868	-	-
Established Providers	3,153,335	26,447	34,347	-
Total increase in Net Revenue	<u>13,085,654</u>	<u>100,030</u>	<u>126,887</u>	<u>22.38</u>

UConn Medical Group Statement of Revenues and Expenses Fiscal Year 2015 Forecast vs. Fiscal Year 2016 Proposed Budget

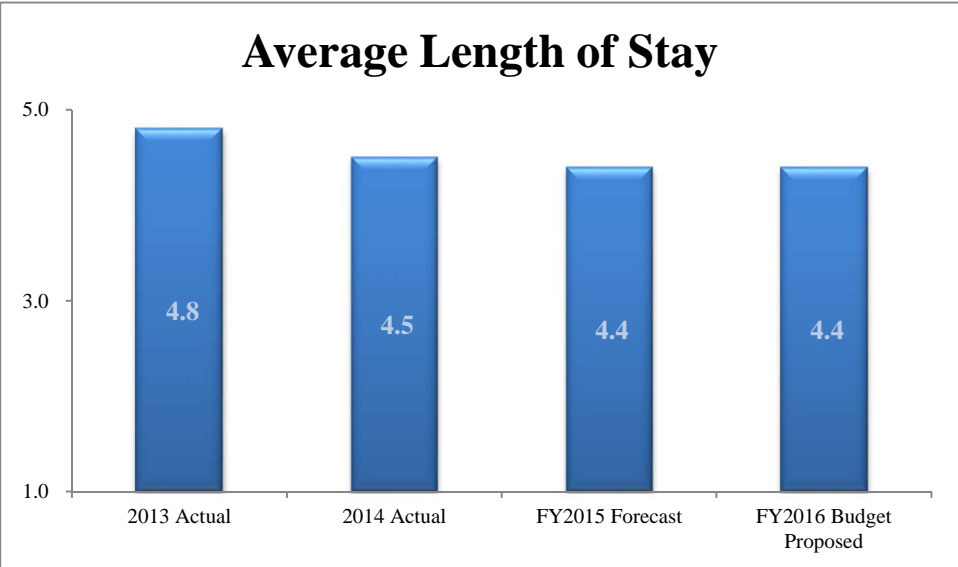
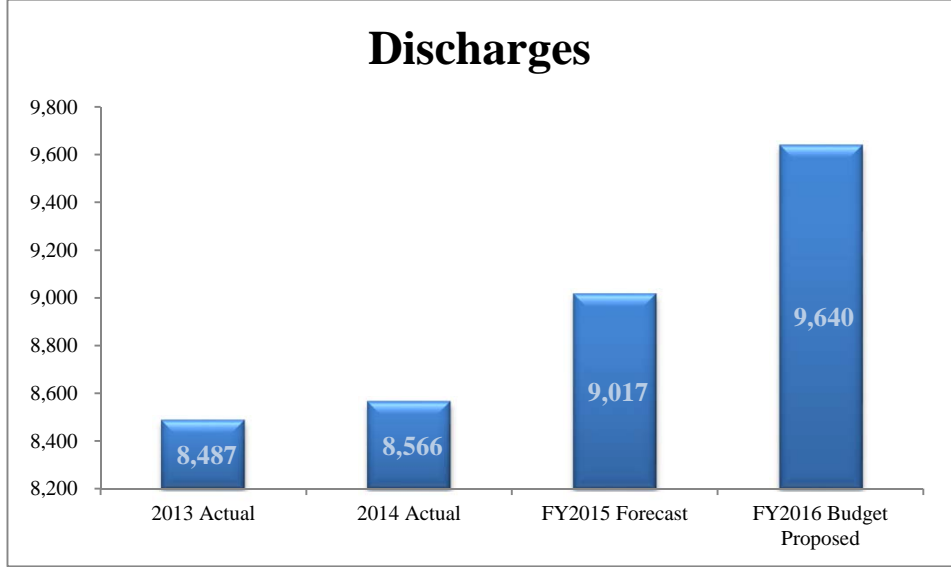
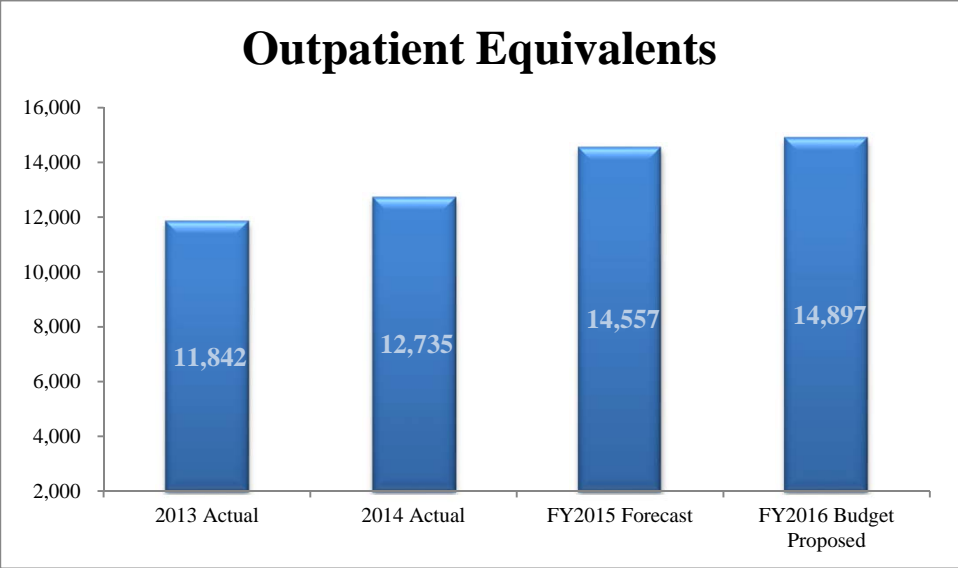
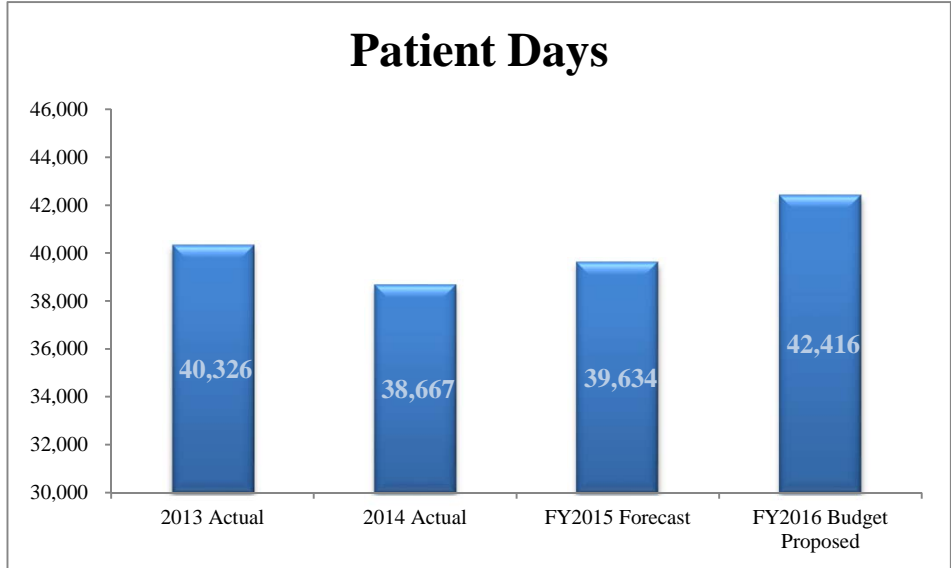
	Fiscal Year 2015	Fiscal Year 2016		
	Forecast	Budget Proposed	Variance	Percent Variance
<u>Revenues:</u>				
Net Patient Care Revenue	\$ 83,479,145	\$ 96,564,799	\$ 13,085,654	15.7%
Other Income	13,127,668	11,963,465	(1,164,203)	-8.9%
Total Revenue	\$ 96,606,813	\$ 108,528,264	\$ 11,921,451	12.3%
<u>Expenses:</u>				
Salary Expense	\$ 77,178,036	\$ 82,252,631	\$ 5,074,595	6.6%
Fringe Benefits	34,032,567	37,943,098	3,910,531	11.5%
Internal Contractual Support	6,556,769	12,114,265	5,557,496	84.8%
Medical Contractual Support	6,949,448	6,603,657	(345,791)	-5.0%
Temporary/Per Diem Staff	213,665	176,236	(37,429)	-17.5%
Utilities	240,283	245,147	4,864	2.0%
Outside & Other Purchased Serv	9,893,301	10,186,015	292,714	3.0%
Insurance	474,798	486,003	11,205	2.4%
Repair and Maintenance	850,292	949,520	99,228	11.7%
Drugs	2,695,117	2,977,050	281,933	10.5%
Medical Supplies	1,241,299	1,700,084	458,785	37.0%
Other Expenses	1,344,275	1,293,545	(50,730)	-3.8%
Depreciation	4,197,837	4,731,602	533,765	12.7%
Total Expenses	\$ 145,867,687	\$ 161,658,853	\$ 15,791,166	10.8%
<u>Excess/(Deficiency) of Revenues over Expenses</u>	\$ (49,260,874)	\$ (53,130,589)	\$ (3,869,715)	-7.9%

State Appropriation w/o Fringe Benefits by Fiscal Year



John Dempsey Hospital

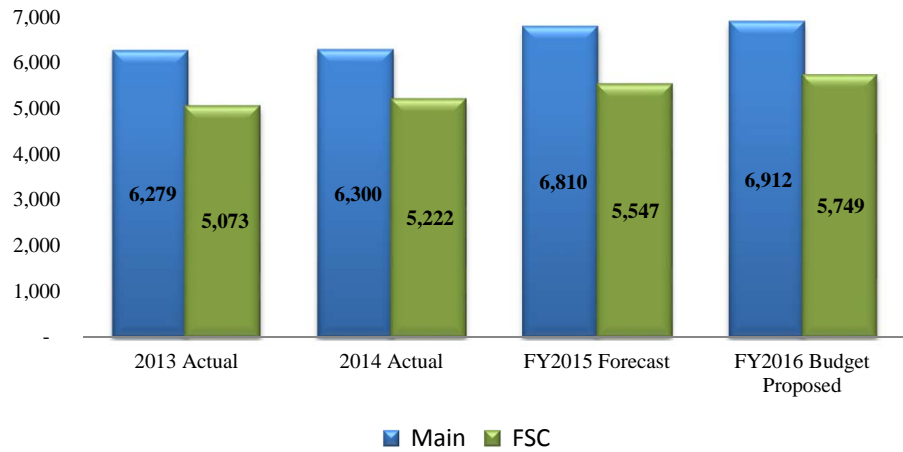
Statistical Graphs (Excludes NICU)



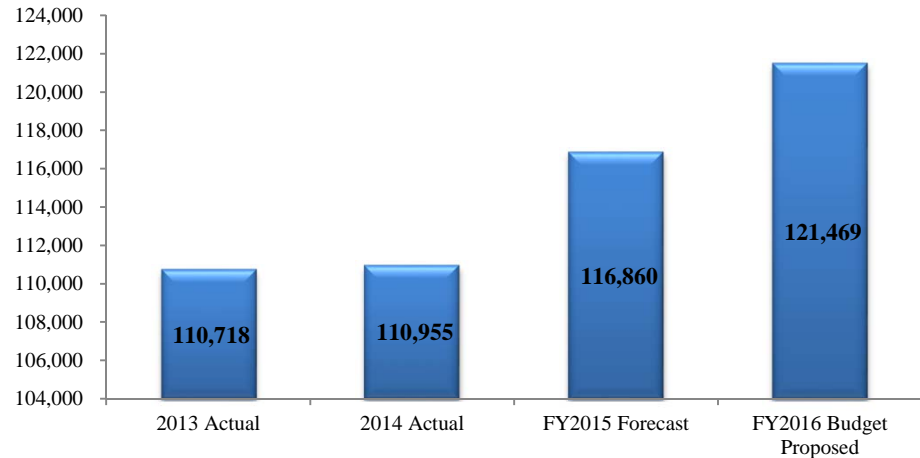
John Dempsey Hospital

Statistical Graphs (Excludes NICU)

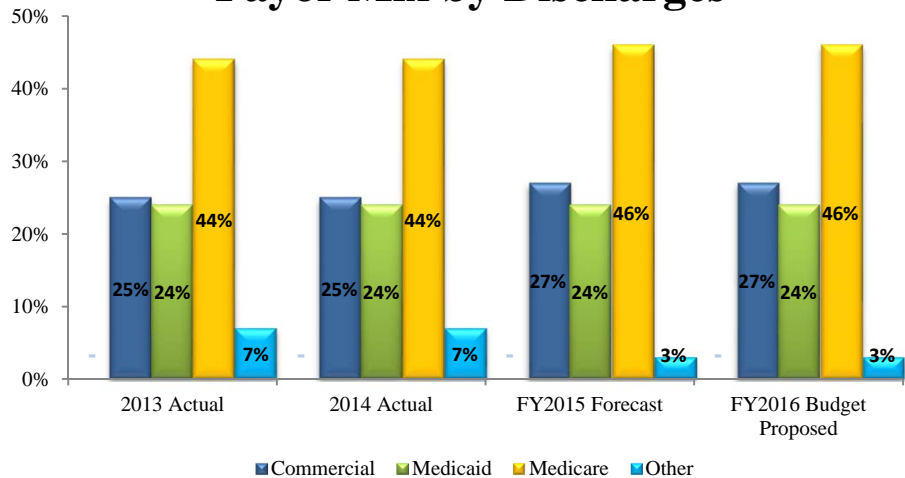
Surgical Cases



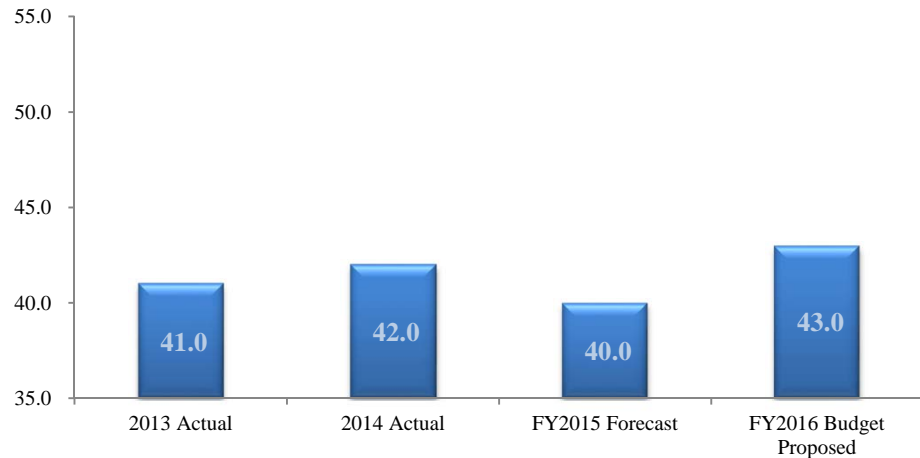
Emergency Department Visits



Payor Mix by Discharges

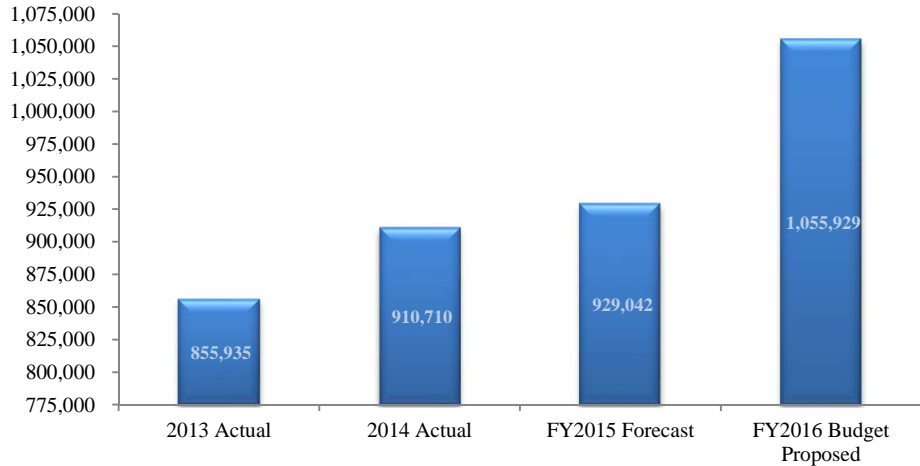


Days in Accounts Receivable

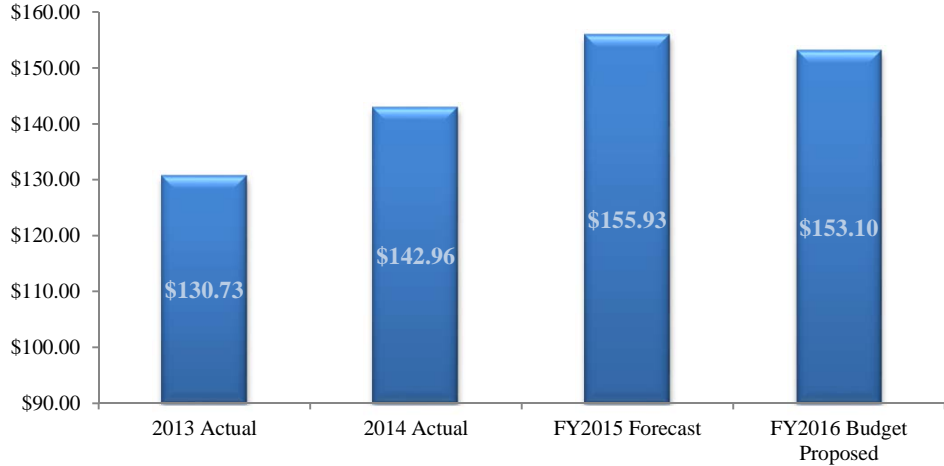


UConn Medical Group Statistical Graphs

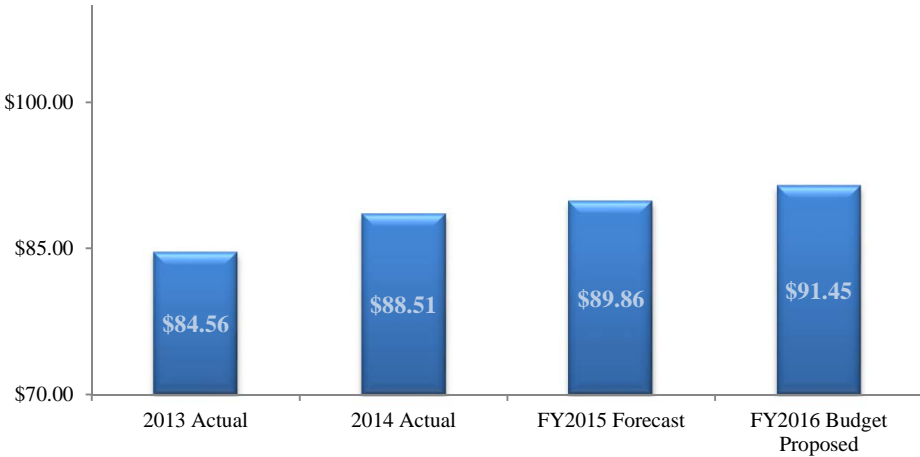
Physician RVU's



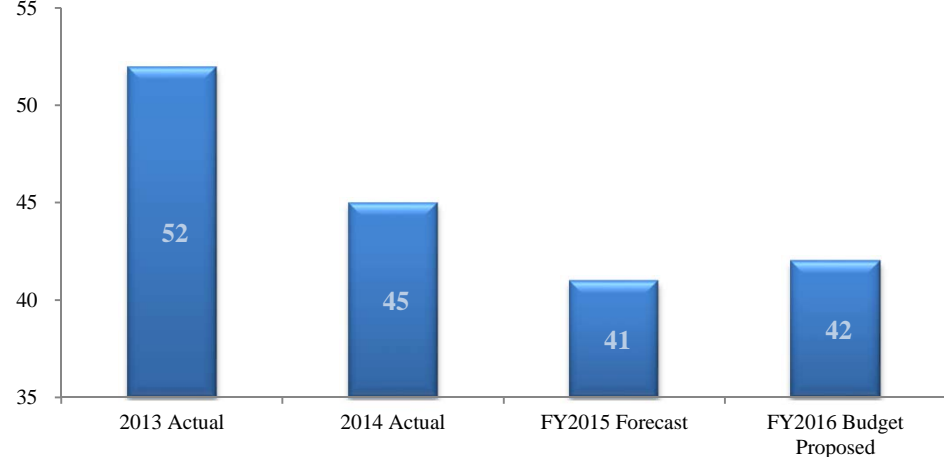
Expense Per RVU



Net Revenue Per RVU

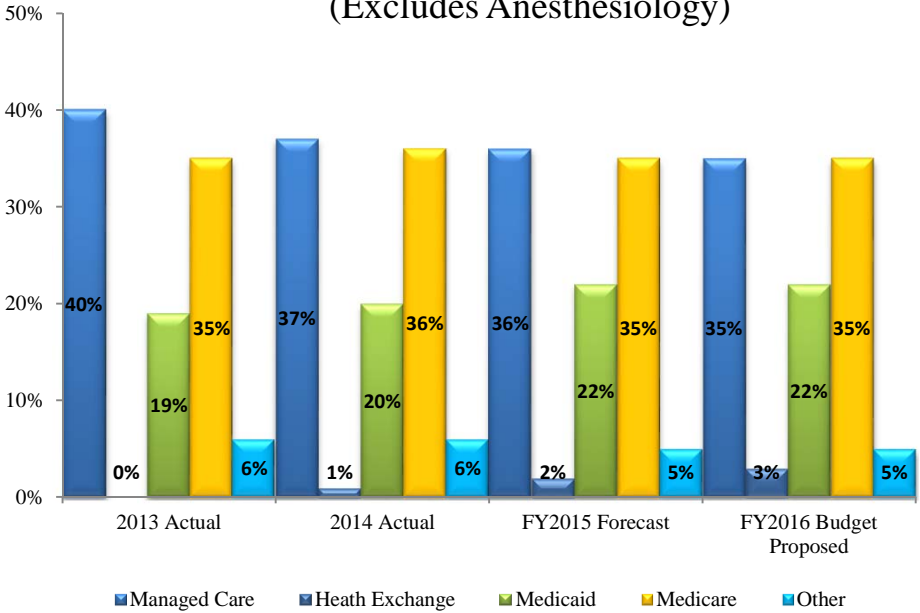


Days in Accounts Receivable

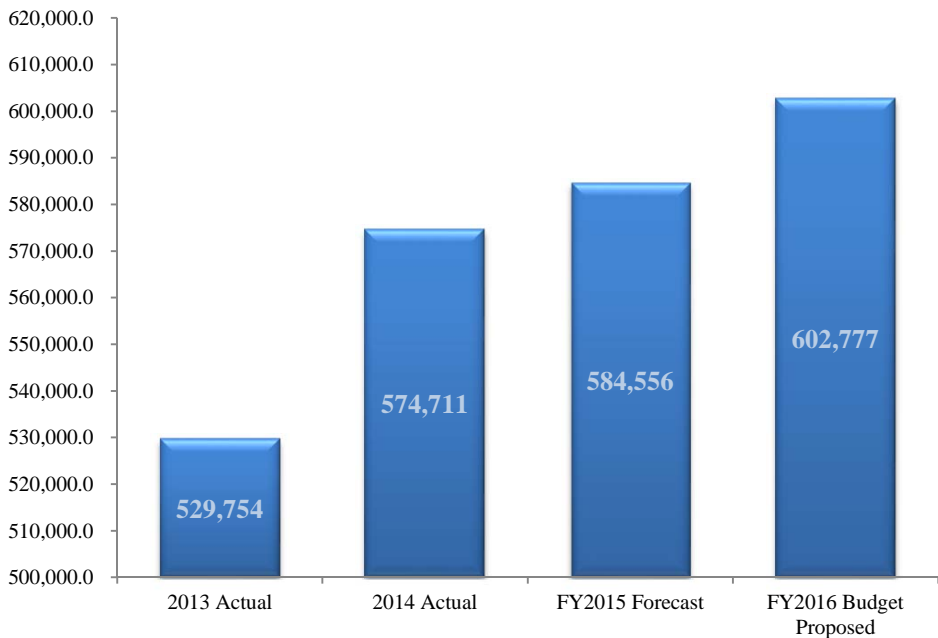


UConn Medical Group Statistical Graphs

Payor Mix by Gross Charges (Excludes Anesthesiology)



Encounters (Excludes Anesthesiology)



Research Awards and Revenue Recognition by Fiscal Year (in millions)

Graph includes the full grant amount (even if multi-year) in the year of the award

