



**SVHCD JOINT FINANCE COMMITTEE-BOARD
BUDGET STUDY SESSION**

AGENDA

Tuesday, June 27, 2017

5:00 p.m.

Location: Basement Conference Room

Sonoma Valley Hospital, 347 Andrieux St., Sonoma CA 95476

- No call in capabilities for this meeting

AGENDA ITEM	RECOMMENDATION	
MISSION STATEMENT The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.		
1. CALL TO ORDER/ANNOUNCEMENTS	<i>Nevins</i>	
2. PUBLIC COMMENT SECTION At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Committee at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Committee consideration.	<i>Nevins</i>	
3. 2018 OPERATING BUDGET	<i>Jensen</i>	Inform/Action
4. ADJOURN	<i>Nevins</i>	

To: Sonoma Valley Hospital District Board Members
From: Sonoma Valley Hospital Administration
Re: Proposed Hospital Budget for July 1, 2017 – June 30, 2018

We are pleased to present the following budget for consideration. This budget represents the culmination of many hours of work from all departments of the Hospital and we believe represents the best knowledge regarding upcoming changes in the operations of the Hospital for the coming fiscal year.

The members of the Financial Staff would like to thank all participants for the thoughtful time that was contributed to this project. This budgeting process has been used for three years and over the period the budgeting process has been continually refined, resulting in a budget in the current fiscal year that was able to accurately forecast the operations of the Hospital on almost every line item and department.

There continue to be several universal assumptions that compromise our ability to make precise projections. As you are aware these mostly include the items of revenue and expense revolving around the future of Federal funding for Medicare and Medi-Cal patients. The budget is flexible and, if and when these changes occur, Administration is poised to take action to offset the impact of these changes.

Several schedules are attached for your review

- Schedule A - Budget assumptions summary for the Fiscal Year (FY) ending June 30, 2018
- Schedule B - Details regarding payer mix assumptions
- Schedule C - FY 2018 Budget
- Schedule D – Highlights of the major changes in the Budget
- Schedule E – Annualized Cash Forecast

Schedule A - Budget assumptions summary for the Fiscal Year (FY) ending June 30, 2018

GENERAL BUDGET GUIDELINES

To achieve the most relevant data for budget projection, the budget development process for the FY 2018 is based on the 12 month for the period March 2016 through February 2017, adjusted for annualized expenses.

The budget maintains the current level of services and volumes for most Hospital departments with additional volume and revenue projected for surgical services and the 1206b clinic

REVENUE

The payer mix remains the same as the prior year (See Schedule B). Decreases in revenue and adjustments to the payer mix may occur if the Federal government adjusts ACA regulations during this budget year.

Net revenues are projected to increase by \$3.572 million due to strategic price increases, an increase in surgical services and clinic volumes and other adjustments including enhancements to the patient intake process.

Income from the Parcel Tax is increased from \$3 million to \$3.8 million annually.

EXPENSES

Salaries include a 3% increase effective January 2018, a net increase in 1 FTE's as well as some salary reductions resulting in a net increase of \$374K

Medical and Professional fees are based on existing contracts, resulting in an increase of \$360K. In addition, the physician costs for the new 1206b clinic are included with offsetting income in the revenue section.

Supply expenses are reduced by \$268K based on new contracts and identified reductions

Purchased services were increased by \$763K, primarily due to mandated upgrades to our Information Technology upgrades. It also reflects the new contract with our vendor, which increases expenses and decreases the requirement for capital acquisitions, thus reducing cash flow needs for the next year.

All other expense categories had minor expense variations between the two periods.

SCHEDULE B

Sonoma Valley Hospital

Payer Mix (Gross Revenue) - Budget FY 2018

	<u>Base Budget</u>	<u>Budget FY 2018</u>	<u>Variance</u>
Medicare	45.7%	45.6%	-0.1%
Medicare Managed Care	10.0%	10.0%	0.0%
Medi-Cal	17.9%	17.8%	-0.1%
Self Pay	1.3%	1.2%	-0.1%
Commercial	20.2%	20.4%	0.2%
Worker's Comp.	2.9%	3.0%	0.1%
Capitated	2.0%	2.0%	0.0%
	<u>100.0%</u>	<u>100.0%</u>	

SCHEDULE C
Sonoma Valley Hospital
Budget - FY 2018

	FY 2018 Budget
Total Operating Revenue	\$ 59,050,326
Operating Expenses	
Salary and Wages and Agency Fees	29,008,232
Employee Benefits	10,805,709
Total People Cost	39,813,941
Med and Prof Fees (excl Agency)	4,911,769
Supplies	6,326,247
Purchased Services	4,516,306
Depreciation	3,387,733
Utilities	1,219,470
Insurance	331,372
Interest	533,475
Other	1,639,513
Matching Fees (Government Programs)	1,037,191
Operating expenses	\$ 63,717,017
Gross Operating Margin	\$ (4,666,691)
Non Operating Rev and Expense	
Miscellaneous Revenue/(Expenses)	(155,884)
Donations	-
Physician Practice Support-Prima	(656,196)
Parcel Tax Assessment Rev	3,800,000
Total Non-Operating Rev/Exp	\$ 2,987,920
Net Income / (Loss) prior to Restricted Contributions	\$ (1,678,771)
Capital Campaign Contribution	199,469
Restricted Foundation Contributions	-
Net Income/(Loss) w/ Restricted Contributions	\$ (1,479,302)
GO Bond Tax Assessment Rev	3,008,200
GO Bond Interest	(1,273,814)
Net Income/(Loss) w GO Bond Activity	\$ 255,084
EBIDA - Not including Restricted Contributions	2,242,437
	3.80%

SCHEDULE D

Sonoma Valley Hospital FY 2018 Budget Variances

Net Income from 12 months ending 2/28/17:	\$ 55,477,815	
Total Increase	\$ 3,572,511	
Adjusted Revenue		\$ 59,050,326
Total Expenses from 12 months 2/28/17:	\$ 62,568,764	
Total Salary increase	\$ 374,138	
Total Employee Benefit increase	\$ 76,519	
Total Physician Increase	\$ 360,231	
Total Supply decrease	\$ (268,271)	
Total Purchase Services increase	\$ 763,903	
Total Depreciation increase	\$ 1,653	
Total Utilities increase	\$ 72,953	
Total Interest decrease	\$ (51,510)	
Total Other Expenses decrease	\$ (181,363)	
Budgeted Total Expenses:		\$ 63,717,017
Net Operating Loss		\$ (4,666,691)
Non Operating Rev & Exps from 12 months ending 2/28/17:	\$ 2,246,517	
Total non operating revenue	\$ 741,403	
Budgeted Non Operating Inc/Exp:		\$ 2,987,920
Net Income / (Loss) prior to Restricted Contributions		\$ (1,678,771)
Restricted Donations & GO Bond from 12 months ending 2/28/17:	\$ 2,191,886	
Total restricted/GO Bond activity	(258,031)	
Budgeted Restricted Donations/GO Bond Activity		\$ 1,933,855
Net Income/(Loss) w GO Bond Activity		\$ 255,084

SCHEDULE E

Sonoma Valley Hospital FY 2018 Cash Projections

Projected cash at 6/30/17 \$ 2,497,503

Sources:

Cash from Patient Revenue	\$	56,240,983	
Prime and IGT Funds		2,809,343	
Other operating revenue		45,000	
Donations (unrestricted)		-	
Parcel Tax		3,800,000	
Capital Campaign		199,469	
Restricted contributions		-	
Total Source	\$	63,094,795	
Total Cash Available	\$	65,592,298	

Uses:

Salaries & Benefits	\$	39,813,941	
Operating Expenses		20,987,624	
Matching Fees		1,037,191	
Other support		857,080	
Total Uses	\$	62,695,836	

Cash at 6/30/18 (excluding capital) \$ 2,896,462