



**SONOMA VALLEY HEALTH CARE DISTRICT
JOINT BOARD OF DIRECTORS AND FINANCE
COMMITTEE
SPECIAL BUDGET STUDY SESSION AGENDA
MAY 25, 2021**

SPECIAL SESSION 4:00 P.M.

HELD VIA ZOOM VIDEOCONFERENCE ONLY

**To participate via Zoom videoconferencing
use the link below:**

<https://sonomavalleyhospital-org.zoom.us/j/91062089638?pwd=eGtsRzhGcTNzN00ybHZ6OVhVY2lBdz09>

and enter the Meeting ID: 910 6208 9638, Passcode: 179140

**To participate via telephone only,
dial: 1-669 900 9128 or 1-669 219 2599**

and enter the Meeting ID: 910 6208 9638, Passcode: 179140

<p>In compliance with the Americans Disabilities Act, if you require special accommodations to participate in a District meeting, please contact District Clerk Vivian Woodall at vwoodall@sonomavalleyhospital.org or (707) 935.5004 at least 48 hours prior to the meeting.</p>	RECOMMENDATION	
AGENDA ITEM		
<p>MISSION STATEMENT <i>The mission of SVHCD is to maintain, improve, and restore the health of everyone in our community.</i></p>		
<p>1. CALL TO ORDER</p>	<i>Rymer</i>	
<p>2. PUBLIC COMMENT <i>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 Board 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 Board consideration. At all times please use the microphone.</i></p>	<i>Rymer</i>	
<p>3. FISCAL YEAR 2022 BUDGET</p>	<i>Jensen</i>	Inform
<p>4. ADJOURN</p>	<i>Rymer</i>	

Note: To view this meeting you may visit <http://sonomav.org/> or YouTube.com.



To: SVH Finance Committee
From: Ken Jensen, CFO & Sarah Dungan, Controller
Date: May 25, 2021
Subject: DRAFT Fiscal Year 2022 Budget for July 1, 2021 through June 30, 2022

During Fiscal Year 2021, volumes did not return to our normal levels of operations as expected and projected in the hospital's FY 2021 budget. Therefore, as we began the budget process in February 2021 it was decided to take a conservative approach and annualize the current volumes and expense trends from July 2020 through January 2021, as well as increase volumes by 10% to 15% beginning in January 2022.

Beginning in March 2021, we have seen surgery and outpatient diagnostic volumes increase while inpatient volumes have stayed consistent. The current emergency room volumes continue to run lower than normal but we are now seeing a slow increase.

The Draft FY 2022 Budget is presented with the following assumptions:

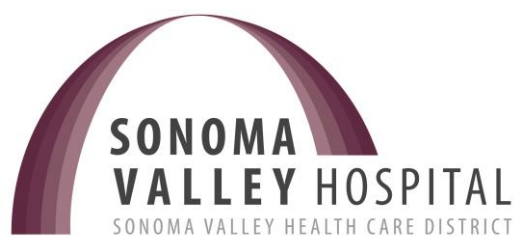
- Volume is based on the seven-month period of July 2020 through January 2021 and annualized to 12 months plus a conservative volume increase at January 2022 (excluding ICU and Med-Surg inpatient volumes).
- Gross revenue includes a 6% price increase with a projected 2.2% increase in net revenue
- Contractual discounts/bad debt are based upon current experiences and adjusted for the price increase
- Government supplemental payments (IGT) are budgeted per current information from the Department of Health Care Services and the District Hospital Leadership Forum (DHLF)
- 2% salary increase at January 2022
- UCSF management fee of \$1,009,450
- Increased IT security costs as mandated by Office of Civil Rights (OCR)
- Elimination of outsourcing COVID-19 tests to UCSF

The draft budgeted operating loss for fiscal year 2022 is (\$6,574,400) compared with the projected fiscal year-end 2021 of (\$6,821,931) with a net income after non-operating revenue and expenses of \$5,890,324 and an EBDA of 0.5% vs. the projected fiscal year-end 2021 income of \$6,179,523 and EBDA of 0.3%.

ATTACHMENTS:

- Initial FY 2022 Budget Assumptions
- Attachment A - DRAFT FY 2022 Budget
- Attachment B – FY 2021 Projected Actual as Compared to DRAFT FY 2022 Budget with Variance
- Attachment C – Schedule of Variance Analysis of FY 2021 Projected to FY 2022 Draft Budget
- Attachment D – Draft FY 2022 Budget – Schedule of Payer Mix
- Attachment E – Draft FY 2022 Budget – Cash Forecast





Healing Here at Home

To: SVH Finance Committee
From: Ken Jensen, CFO & Sarah Dungan, Controller
Date: February 23, 2021
Subject: Fiscal Year 2022 Budget Assumptions

It continues to be a challenge to predict volumes during the COVID-19 pandemic. In previous year's budget assumptions we have based the budget on a rolling 12-month trend. However, this method does not seem appropriate given the last 12-months of fluctuating volumes. Therefore, the following assumptions will be applied to the actual experience from July 2020 through January 2021 annualized. Other adjustments will be made as necessary to reflect the hospital's lower volumes and any other current trends in healthcare going forward. Before finalizing the budget in May the finance team will review current volumes and trends.

VOLUME

- Based upon the 7 months from July 2020 to January 2021 annualized and adjusted for a 10% increase at January 2022 through June 2022

GROSS REVENUE

- Gross price increase of 6% - this is allowed by most SVH commercial contracts

CONTRACTUAL ALLOWANCES

- Assume current collection rates and adjust allowance for 6% price increase
- Payer Mix will be based upon the 12-month ending January 2021
- Intergovernmental and supplemental payments will be based upon input from the District Hospital Leadership Group (will be conservative)

WAGES AND BENEFITS

- 2.0% increase for salaries for 6-months beginning January 2022 through June 2022
- Employee benefits will be based upon actual experience and estimates from the providers

PHYSICIAN FEES & PROFESSIONAL FEES

- Based upon current costs or final contract arrangements

SUPPLIES/FOOD

- Based on current lower volumes
- 2% increase for inflation for 12 months ending January 2021

PURCHASED SERVICES

- Assume actual 12 months ending January 2021
- Increase in IT security costs - mandated
- Purchased services to be reviewed by department and adjusted as needed

DEPRECIATION

- Current, plus any adjustments for any new equipment

INSURANCE

- Will confirm with insurance agent; expect a 3-5% increase

INTEREST

- Current, will adjust for expiring leases/loans

UTILITIES

- Assume current rates at January 2021 for July 2021 through February 2022
- Assume Unison (alternative energy onsite electricity) project to be completed by February 2022 with an estimated savings of \$10,300 for March 2022 through June 2022
- No increase expected with oil prices

OTHER EXPENSES

- Rent/leases- current, will adjust for any new expected leases and remove any expiring
- All other, no increase
- Will review by department



**Sonoma Valley Healthcare District
Statement of Revenue and Expenses
FY 2022 DRAFT Budget
July 1, 2021 through June 30, 2022**

Schedule A

DRAFT

FY 2022 Budget

Volume Information

Acute Discharges	764
Patient Days	3,165
Emergency Room Visits	8,696
Surgeries - Inpatient	198
Surgeries - Outpatient	1,189
Special Procedures	518
Gross O/P Revenue (000's)	\$ 195,361

Financial Results

Projected Gross Patient Revenue

Inpatient	\$ 74,235,061
Outpatient	123,035,765
Emergency	72,325,494
Total Projected Gross Patient Revenue	\$ 269,596,320

Projected Deductions from Revenue

Contractual Discounts	\$ (225,126,506)
Bad Debt	(1,800,000)
Charity Care Provision	(330,857)
Prior Period Adj/Government Program Revenue	7,085,030
Total Projected Deductions from Revenue	\$ (220,172,333)

Projected Net Patient Service Revenue

\$ 49,423,987

Other Op Revenue

\$ 1,021,776

Projected Total Operating Revenue

\$ 50,445,763

Projected Operating Expenses

Salary and Wages and Agency Fees	\$ 21,770,877
Employee Benefits	8,279,063
Total People Cost	\$ 30,049,940
Med and Prof Fees (excl Agency)	6,151,222
Supplies	6,774,922
Purchased Services	4,810,661
Depreciation	3,034,560
Utilities	1,341,561

**Sonoma Valley Healthcare District
Statement of Revenue and Expenses
FY 2022 DRAFT Budget
July 1, 2021 through June 30, 2022**

Schedule A

DRAFT

FY 2022 Budget

Insurance	562,913
Interest	215,599
Other	1,228,005
Matching Fees (Government Programs)	2,850,780
Projected Operating expenses	\$ 57,020,163
Projected Operating Margin	\$ (6,574,400)
Projected Non Operating Rev and Expense	
Miscellaneous Revenue/(Expenses)	\$ 11,709
Donations	
Parcel Tax Assessment Rev	3,800,000
Projected Total Non-Operating Rev/Exp	\$ 3,811,709
Net Income / (Loss) prior to Restricted Contributions	\$ (2,762,691)
Restricted Foundation Contributions	\$ 6,285,641
Net Income / (Loss) w/ Restricted Contributions	\$ 3,522,950
GO Bond Tax Assessment, Net	2,367,374
Projected Net Income/(Loss) w GO Bond Activity	\$ 5,890,324
Projected EBDA - Not including Restricted Contributions	\$ 271,869
	0.5%
FTE'S	231.9

Sonoma Valley Healthcare District
Statement of Revenue and Expenses
FY 2021 Projected Actual as compared to FY 2022 Draft Budget

Schedule B

	Projected Actual <u>FY 2021</u>	DRAFT Budget <u>FY 2022</u>	<u>Variance</u>
Volume Information			
Acute Discharges	777	764	-12
Patient Days	3,215	3,165	-50
Emergency Room Visits	8,375	8,696	321
Surgeries - Inpatient	169	198	29
Surgeries - Outpatient	953	1,189	236
Special Procedures	552	580	28
Gross O/P Revenue (000's)	\$ 179,084	\$ 195,361	\$ 16,278
Projected Gross Patient Revenue			
Inpatient	\$ 66,738,375	\$ 74,235,061	\$ 7,496,686
Outpatient	108,317,362	123,035,765	14,718,403
Emergency	70,766,163	72,325,494	1,559,331
Total Projected Gross Patient Revenue	\$ 245,821,900	\$ 269,596,320	\$ 23,774,420
Projected Deductions from Revenue			
Contractual Discounts	\$ (203,872,292)	\$ (225,126,506)	\$ (21,254,214)
Bad Debt	(1,400,000)	(1,800,000)	(400,000)
Charity Care Provision	(291,600)	(330,857)	(39,257)
Prior Period Adj/Government Program Revenue	9,034,963	7,085,030	(1,949,933)
Total Projected Deductions from Revenue	\$ (196,528,929)	\$ (220,172,333)	\$ (23,643,404)
Projected Net Patient Service Revenue	\$ 49,292,971	\$ 49,423,987	\$ 131,016
Other Op Revenue	\$ 996,825	\$ 1,021,776	\$ 24,951
Projected Total Operating Revenue	\$ 50,289,796	\$ 50,445,763	\$ 155,967
Projected Operating Expenses			
Salary and Wages and Agency Fees	\$ 22,148,893	\$ 21,770,877	\$ (378,016)
Employee Benefits	7,909,322	8,279,063	369,741
Total People Cost	\$ 30,058,215	\$ 30,049,940	\$ (8,275)
Med and Prof Fees (excl Agency)	5,321,904	6,151,222	829,318
Supplies	6,812,333	6,774,922	(37,411)
Purchased Services	5,079,089	4,810,661	(268,428)
Depreciation	3,064,445	3,034,560	(29,885)
Utilities	1,388,757	1,341,561	(47,196)
Insurance	535,665	562,913	27,248
Interest	208,492	215,599	7,107
Other	1,260,539	1,228,005	(32,534)
Matching Fees (Government Programs)	3,382,288	2,850,780	(531,508)
Projected Operating expenses	\$ 57,111,727	\$ 57,020,163	\$ (91,564)
Projected Operating Margin	\$ (6,821,931)	\$ (6,574,400)	\$ 247,531

**Sonoma Valley Healthcare District
Statement of Revenue and Expenses
FY 2021 Projected Actual as compared to FY 2022 Draft Budget**

Schedule B

	Projected Actual FY 2021	DRAFT Budget FY 2022	Variance
Projected Non Operating Rev and Expense			
Miscellaneous Revenue/(Expenses)	\$ 86,019	\$ 11,709	\$ (74,310)
Donations			
Parcel Tax Assessment Rev	3,800,004	3,800,000	(4)
Projected Total Non-Operating Rev/Exp	\$ 3,886,023	\$ 3,811,709	\$ (74,314)
Net Income / (Loss) prior to Restricted Contributions	\$ (2,935,908)	\$ (2,762,691)	\$ 173,217
Capital Campaign Contribution	\$ -	\$ -	\$ -
Restricted Foundation Contributions	\$ 6,889,863	\$ 6,285,641	\$ (604,222)
Net Income / (Loss) w/ Restricted Contributions	\$ 3,953,955	\$ 3,522,950	\$ (431,005)
GO Bond Tax Assessment, Net	2,225,568	2,367,374	141,806
Projected Net Income/(Loss) w GO Bond Activity	\$ 6,179,523	\$ 5,890,324	\$ (289,199)
Projected EBDA - Not including Restricted Contributions	\$ 128,537 0.3%	\$ 271,869 0.5%	\$ 143,332 0.3%
FTE'S	228.50	231.9	3.4

Sonoma Valley Healthcare District
Schedule of Variance Analysis of FY 2021 Projected to FY 2022 Draft Budget
FY 2022 Budget - DRAFT
July 1, 2021 through June 30, 2022

Schedule C

DRAFT

Variance Analysis

Significant Variances of FY 2021 Projected Actual to FY 2022 Budget:

Projected Revenue Variance:

Conservative volume increases after January 1, 2022 (IP surgeries, OP surgeries, ER, OP Diagnostics)

Projected Gross Revenue	7,883,917	
Projected Revenue Deductions	<u>(6,696,201)</u>	1,187,716

6% Price increase with a projected 1.7% increase in Net Revenue

Projected Gross Revenue	15,845,332	
Projected Revenue Deductions	<u>(14,952,099)</u>	893,233

Adjustment to gross Intergovernmental Transfer Program (IGT) based on current information and the elimination of the PRIME Grant (5-year grant ended 12/31/2020)

(1,949,933)

Projected Net Patient Service Revenue - Variance

131,016

Increase to shared services revenue - Valley of the Moon Post Acute

40,035

Meritage subsidy - Sonoma Family Practice (July 2021 - December 2021)

90,000

Adjustment to reflect grant revenue received in FY 2021 and other "one-time" revenue items received in FY 2021

(105,084)

24,951

Projected Total Operating Revenue - Variance

155,967

Projected Expense Variance:

Salary and Wages and Agency Fees - Variance:

2% Salary increase - January 2022

211,525

CEO, CFO, and CMO salaries moved to professional fees (UCSF)

(345,075)

Elimination of Care Transitions position (related to Prime Grant)

(104,720)

Elimination of Case Management Staff - moved to Tele case management platform - Banyan

(103,295)

Reduction in COVID drive-up testing staff

(75,290)

Increase in Physical Therapy FTE's (offset by reduction in Traveler's)

145,177

Restructure of Central Sterile staff FTE's

81,309

Increase in 1.0 FTE in dietary - staff supervisor hired in FY 2021

92,796

Other department adjustments to salaries and wages, net

86,585

Reduction in Registry/Travel Staffing

(367,028)

(378,016)

Employee Benefits Variance:

Employee Benefits - Reduction in PTO due primarily from the reduction in staff in Admin and Quality

(138,314)

Employee Benefits - Increase in cost of health benefits from changing to United Healthcare

508,055

369,741

Total People Cost - Variance

(8,275)

Medical and Professional Fees Variance:

UCSF Management Costs (CEO, CFO, & CMO)

815,397

Governance Board Consultant - Parcel Tax

25,000

Other department adjustments to professional fees, net

(11,079)

829,318

Supplies, Net Variance

(37,411)

Purchased Services Variance:

Elimination of UCSF Covid-19 testing

(455,229)

Increase in IT security Costs

180,096

Tele Case Management Platform - Banyan

142,509

Other department adjustments to purchased services, net

(135,804)

(268,428)

Depreciation - Net Variance

(29,885)

Utilities - net savings from change of electricity provider

(47,196)

Insurance - Net Variance

27,248

Interest - Net Variance

7,107

Other - Net Variance

(32,534)

Matching Fees (Government Programs)-Variance

(531,508)

Projected Operating expenses - Variance

(91,564)

Projected Operating Margin - Variance

247,531

**Sonoma Valley Health Care District
Schedule of Payer Mix
DRAFT FY 2022 Budget
July 1, 2021 through June 30, 2022**

Schedule D

	DRAFT	ACTUAL
	FY 2022 Budget	FY 2021
	<u>July 1, 2021 - June 30, 2022</u>	<u>July 1, 2021 - April 30, 2021</u>
Medicare	39.7%	40.2%
Medicare Managed Care	15.4%	15.4%
Medi-Cal	19.0%	18.6%
Self Pay	1.1%	1.2%
Commercial & Other Government	21.7%	21.6%
Worker's Comp.	3.1%	3.0%
	<hr/>	<hr/>
	100.0%	100.0%

**Sonoma Valley Health Care District
Cash Forecast - DRAFT FY 2022 Budget**

Schedule E

**DRAFT
FY 2022 Budget
July 1, 2021 - June 30, 2022**

Hospital Operating Sources		
1	Patient Payments Collected	42,338,957
2	Other Operating Revenue	1,021,776
3	Other Non-Operating Revenue	204,271
4	Unrestricted Contributions	
5	Line of Credit	-
	Sub-Total Hospital Sources	43,565,004
Hospital Uses of Cash		
6	Operating Expenses	51,327,385
7	Add Capital Lease Payments	440,328
8	Additional Liabilities	
9	Capital Expenditures	6,285,641
10	Line of Credit	
	Total Hospital Uses	58,053,354
	Net Hospital Sources/Uses of Cash	(14,488,350)
Non-Hospital Sources		
11	Restricted Cash/Capital Donations	6,285,641
12	Parcel Tax Revenue	3,800,000
13	Other:	
14	IGT /AB 915 IGT	7,085,030
	Sub-Total Non-Hospital Sources	17,170,671
Non-Hospital Uses of Cash		
15	Matching Fees	2,850,780
	Sub-Total Non-Hospital Uses of Cash	2,850,780
	Net Non-Hospital Sources/Uses of Cash	14,319,891
	Net Sources/Uses	(168,459)
	Cash at beginning of period (Includes MM)	8,213,972
	Cash at end of period	8,045,513
	Projected Days of Cash on Hand at Beginning of period	59.01
	Budgeted Days of Cash on Hand at end of period	57.21