



SVHCD FINANCE COMMITTEE

AGENDA

WEDNESDAY, July 18, 2018

5:00 p.m. Regular Session

Location: Schantz Conference Room

Sonoma Valley Hospital, 347 Andrieux Street

Sonoma CA 95476

Call In Number 866-228-9900, guest code 294221

<p>In compliance with the Americans Disabilities Act, if you require special accommodations to participate in a Finance Committee meeting, please contact District Clerk Stacey Finn at sfinn@svh.com or (707) 935.5004 at least 48 hours prior to the meeting.</p>	RECOMMENDATION	
AGENDA ITEM		
<p>MISSION STATEMENT The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</p>		
<p>1. CALL TO ORDER/ANNOUNCEMENTS</p>	<i>Nevins</i>	
<p>2. PUBLIC COMMENT SECTION <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>Nevins</i>	
<p>3. NINE MONTH BUDGET REVIEW</p>	<i>Jensen</i>	Inform/Action
<p>4. ADJOURN</p>	<i>Nevins</i>	



To: Sonoma Valley Hospital Finance Committee
From: Sonoma Valley Hospital Administration
Date: July 18, 2018
Subject: Proposed FY 2019 Budget for the 9-Months of October 2018 through June 2019

During the middle part of Fiscal Year 2018 operating budget, management needed time to review the then current operating structure before proposing an annual budget for Fiscal Year 2019. To give management time to adequately formulate a new hospital structure, the Board was presented with an approved budget for the first three months of the new fiscal year with the remaining nine months to be presented at a later time. This three month budget included a savings plan that was implemented in January 2018. Management is now presenting a proposed budget for the nine months October 2018 through June 2019. The significant changes are:

- Volume is based upon a 12 month rolling average adjusted for activity that we know has changed.
- Revenue includes a 6% price increase
- Contractual discounts/Bad debt are based upon actual experience
- Salaries include a 2.5% increase for all employees effective January 2019
- A significant increase in reimbursement for capitated Medi-Cal
- Proposed closing of the Skilled Nursing Unit
- Proposed closing of the Obstetrical Service

The Net operating loss for the 9 months is budgeted at (\$3,333,028). After accounting for Non-Operating income, the loss drops to (\$1,064,799). Including all other activity the Net income is \$1,167,916 with an EBDA of 3.5%.

ATTACHMENTS:

- Attachment A - FY 2019 9-Month Budget for October 2018 through June 2019
- Attachment B - FY 2019 9-Month Budget Preliminary Cost Savings for October 2018 through June 2019
- Attachment C - FY 2019 9-Month Budget Payer Mix for October 2018 through June 2019
- Attachment D - FY 2019 9-Month Budget – Cash Flow for October 2018 through June 2019



**Sonoma Valley Health Care District
Statement of Revenue and Expenses
FY 2019 Budget - 9 Months
October 1, 2018 through June 30, 2019**

Schedule A

	FY 2019 Budget - 9 Months October 1, 2018 - June 30, 2019	
Volume Information		
Acute Discharges		884
Patient Days		3,005
Emergency Room Visits		8,304
Surgeries - Inpatient		295
Surgeries - Outpatient		1,203
Special Procedures		482
Gross O/P Revenue (000's)	\$	133,470
Financial Results		
Gross Patient Revenue		
Inpatient	\$	60,281,342
Outpatient		72,947,884
Emergency		60,521,818
Home Health		2,657,388
Total Gross Patient Revenue	\$	196,408,432
Deductions from Revenue		
Contractual Discounts	\$	(158,842,374)
Bad Debt		(900,000)
Charity Care Provision		(296,760)
Prior Period Adj/Government Program Revenue		3,172,996
Total Deductions from Revenue	\$	(156,866,138)
Net Patient Service Revenue	\$	39,542,294
Risk contract revenue	\$	1,132,180
Net Hospital Revenue	\$	40,674,474
Other Op Rev & Electronic Health Records	\$	125,717
Total Operating Revenue	\$	40,800,191
Operating Expenses		
Salary and Wages and Agency Fees	\$	16,692,318
Employee Benefits		6,667,796
Total People Cost	\$	23,360,114
Med and Prof Fees (excl'd Agency)	\$	4,474,571
Supplies		5,181,695
Purchased Services		3,332,571
Depreciation		2,510,373
Utilities		885,662
Insurance		317,881
Interest		447,417
Other		1,046,858
Management Contract - Home Health		1,780,450
Matching Fees (Government Programs)		795,627
Operating expenses	\$	44,133,219
Operating Margin	\$	(3,333,028)

**Sonoma Valley Health Care District
Statement of Revenue and Expenses
FY 2019 Budget - 9 Months
October 1, 2018 through June 30, 2019**

Schedule A

	FY 2019 Budget - 9 Months <u>October 1, 2018 - June 30, 2019</u>	
Non Operating Rev and Expense		
Miscellaneous Revenue/(Expenses)	\$	(94,930)
Donations		24,053
Physician Practice Support-Prima		(510,894)
Parcel Tax Assessment Rev		2,850,000
Total Non-Operating Rev/Exp	\$	2,268,229
Net Income / (Loss) prior to Restricted Contributions	\$	(1,064,799)
Capital Campaign Contribution	\$	188,537
Restricted Foundation Contributions	\$	495,027
Net Income / (Loss) w/ Restricted Contributions	\$	(381,235)
GO Bond Tax Assessment Rev		2,521,340
GO Bond Interest		(972,189)
Net Income/(Loss) w GO Bond Activity	\$	1,167,916
EBIDA - Not including Restricted Contributions	\$	1,892,991 4.6%
EBDA - Not including Restricted Contributions	\$	1,445,574 3.5%

Sonoma Valley Health Care District
Schedule of Preliminary Cost Savings & Additions
FY 2019 Budget - 9 Months
October 1, 2018 through June 30, 2019

Schedule B

		FY 2019 Budget - 9 Months	
		October 1, 2018 - June 30, 2019	
Preliminary Cost Savings & Additions:			
1. Closure of Skilled Nursing Facility:			
	Net Revenue	(2,517,005)	
	Direct and Attributable Costs	<u>3,176,930</u>	659,925
2. Closure of Obstetrics Department:			
	Net Revenue	(770,687)	
	Direct and Attributable Costs	<u>1,125,653</u>	354,966
3. Transfer of Home Health with management contract			
	Net Revenue	(1,813,756)	
	Direct and Attributable Costs	<u>2,064,821</u>	251,066
4. Bariatric surgeries - Additional 8 cases annually			
	Direct Margin - \$144,000 annually = \$12,000/Monthly		108,000
5. Reduction in Administration - Contracted labor			
			15,912
6. Reduction in Finance Overhead Departments - Salaries			
			10,933
7. Salary increase at 2.5% - January 2019			
			(255,376)
7. Partnership Healthcare - Increase in Contract (\$650,000/Annual)			
			487,500
8. Disproportionate Share Hospital (DSH)			
	Based on reduction of Medi-Cal Days		(108,000)
9. 6% Price increase, net			
			517,817
10. Severance Pay - October 2018			
			(193,618)
11. Costs of closing/moving units			
			<u>(15,000)</u>
Total Preliminary Cost Savings & Additions			<u><u>1,834,124</u></u>

Note: Items #1 and #2 are based on Administrations analysis

Sonoma Valley Health Care District
Schedule of Payor Mix
FY 2019 Budget - 9 Months
October 1, 2018 through June 30, 2019

Schedule C

	FY 2019 Budget - 9 Months		Variance
	<u>October 1, 2018 - June 30, 2019</u>	<u>Fiscal YTD at 6/30/2018</u>	
Medicare	43.1%	44.4%	1.3%
Medicare Managed Care	12.6%	13.3%	0.7%
Medi-Cal	17.8%	17.9%	0.1%
Self Pay	1.3%	1.2%	-0.1%
Commercial	20.8%	19.0%	-1.8%
Worker's Comp.	2.4%	2.1%	-0.3%
Capitated	2.0%	2.1%	0.1%
	100.0%	100.0%	

**Sonoma Valley Health Care District
Cash Forecast - FY 2019 Budget - 9 Months**

Schedule D

**FY 2019 Budget - 9 Months
October 1, 2018 - June 30, 2019**

Hospital Operating Sources		
1	Patient Payments Collected	36,261,640
2	Capitation Revenue	1,132,180
3	Napa State	107,658
4	Other Operating Revenue	125,717
5	Other Non-Operating Revenue	240,057
6	Unrestricted Contributions	24,053
7	Line of Credit	
	Sub-Total Hospital Sources	37,891,305
Hospital Uses of Cash		
8	Operating Expenses	41,673,099
10	Add Capital Lease Payments	
11	Additional Liabilities	
12	Capital Expenditures	683,564
	Total Hospital Uses	42,356,663
	Net Hospital Sources/Uses of Cash	(4,465,358)
Non-Hospital Sources		
13	Restricted Cash/Capital Donations	683,564
14	Parcel Tax Revenue	2,850,000
15	Payment - South Lot	
16	Other:	
17	IGT	2,610,495
18	IGT - AB915 (Net)	
19	PRIME	562,500
	Sub-Total Non-Hospital Sources	6,706,559
Non-Hospital Uses of Cash		
20	Matching Fees	795,627
	Sub-Total Non-Hospital Uses of Cash	795,627
	Net Non-Hospital Sources/Uses of Cash	5,910,932
	Net Sources/Uses	1,445,574
	Cash and Equivalents at beginning of period - 10/1/2018	1,417,392
	Cash and Equivalents at end of period	2,862,966