

HARBORVIEW MEDICAL CENTER FINANCIAL OVERVIEW

April 13, 2017

AGENDA

- **FY18 Budget – Guiding Principles**
- **Historical Trends & Financial Health**
- **What are the risks?**

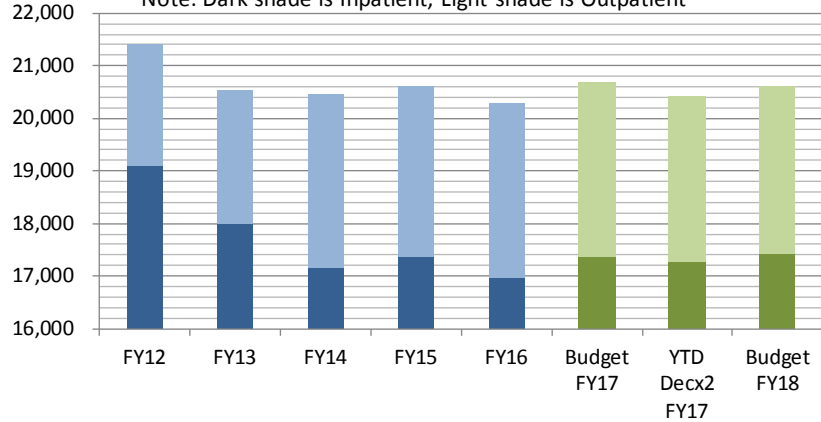
BUDGET GUIDING PRINCIPLES

- We will identify, invest and develop systems/services which move us from volume to value, particularly with our **mission population**.
- We will continue to build **growth**, as able. Investments will be limited to strategic initiatives that support more efficient patient throughput and care management.
- Total Expense AWI/CMI Adjusted Discharge **benchmarking** target at 50th percentile by 2020 to work towards greater expense efficiency.
- Savings for **capital investments** in single patient medical record and single patient rooms/disaster preparedness.

TREND OF KEY VOLUMES

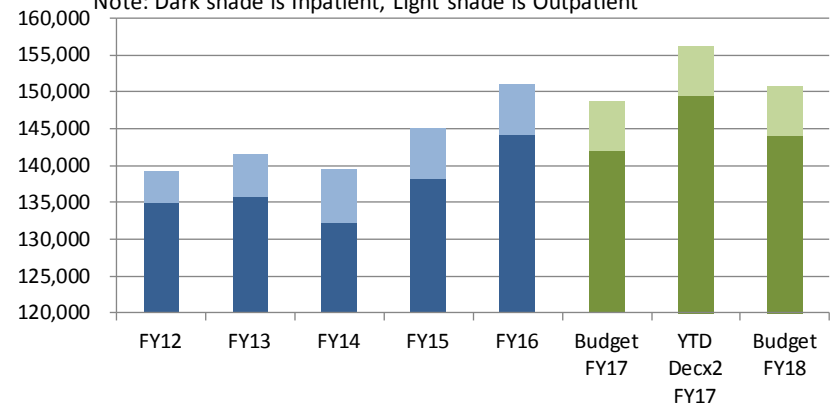
Admits and Observations Cases

Note: Dark shade is Inpatient, Light shade is Outpatient



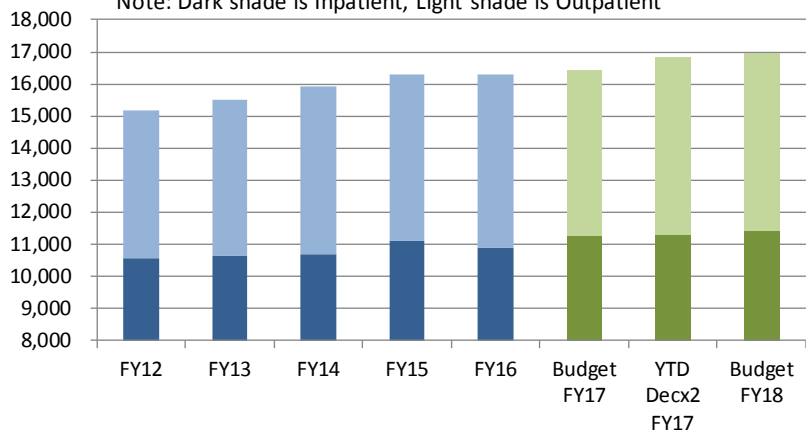
Patient Days: Inpatient & Observation

Note: Dark shade is Inpatient, Light shade is Outpatient



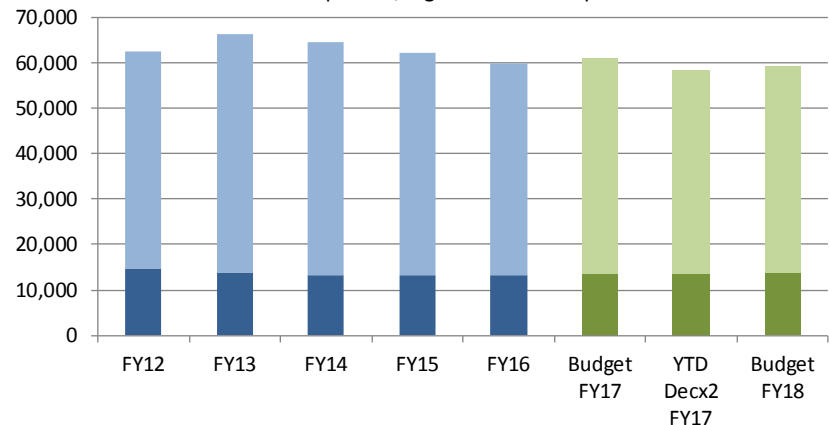
Surgical Cases

Note: Dark shade is Inpatient, Light shade is Outpatient



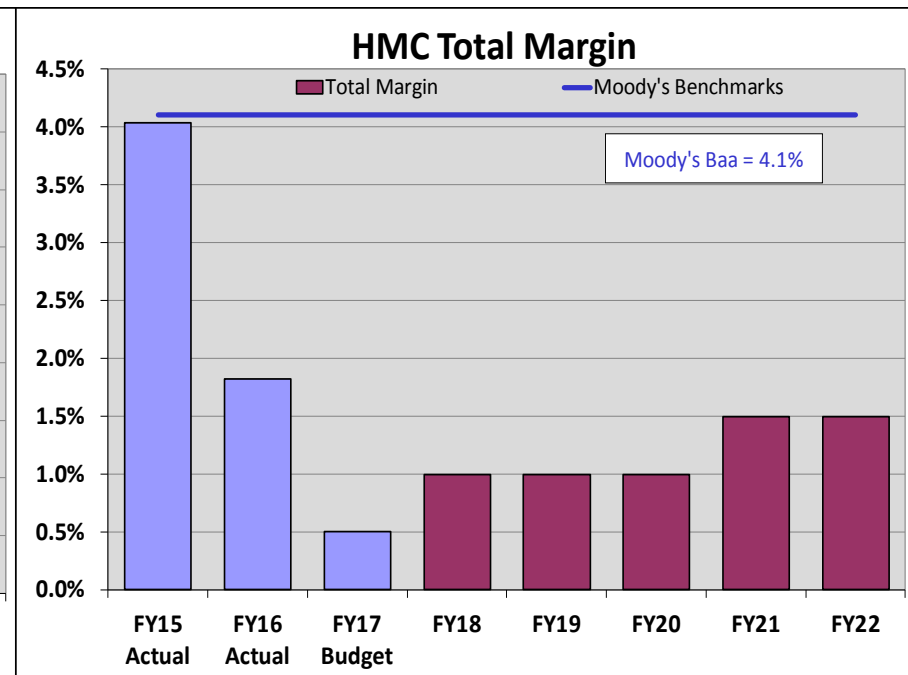
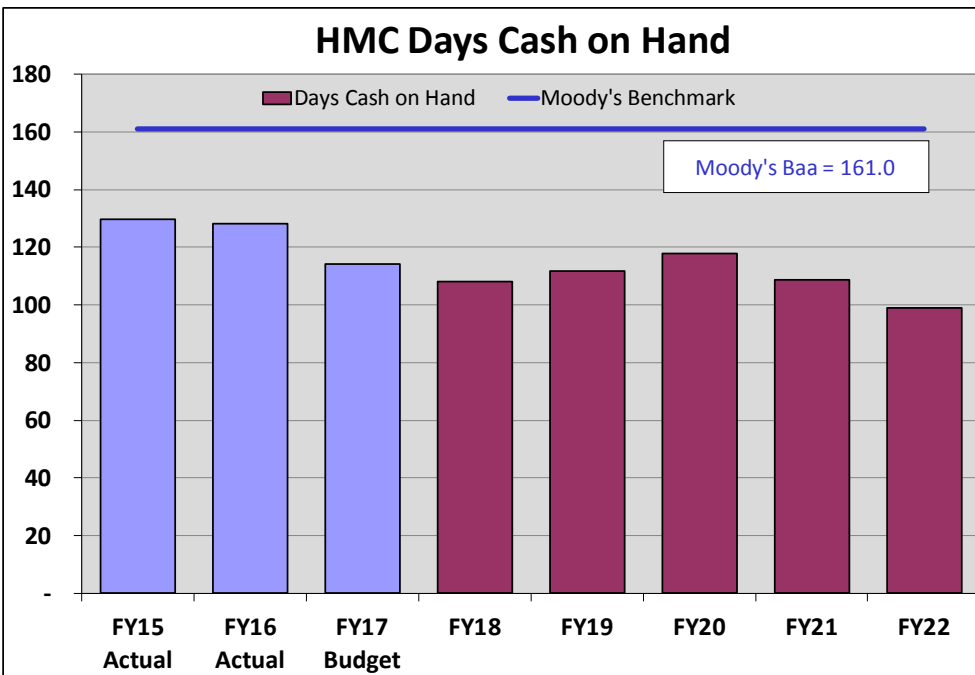
ED Visits

Note: Dark shade is Inpatient, Light shade is Outpatient



FINANCIAL HEALTH - WHAT IS OUR TARGET?

in Millions	Budget					Projected				
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Margin	(\$14.3)	(\$7.1)	\$36.5	\$17.0	\$4.7	\$9.6	\$9.9	\$10.0	\$15.4	\$15.7
Total Margin %	-1.8%	-0.9%	4.0%	1.8%	0.5%	1.0%	1.0%	1.0%	1.5%	1.5%



NET REVENUE – WHAT IS AT RISK?

Through the long range financial planning process, HMC has identified risks to net revenue that tally **\$40-\$55M/year** through FY22. These include:

- **Commercial – Significant decreases in OP facility fees and shift to ACN and risk-based plans (5% in FY17 up to 50% by FY21)**
- **Medicare – Payment inflation near zero, decreases for potential risk of IME pooled payments, UCP payments and outpatient facility fees**
- **Medicaid – Decreases for potential risk in IME pooled payments, Disproportionate Share and outpatient E&M facility fees**
- **All Payors – Infusion, Supply Markup and Outpatient Radiology**

An overall assumption of 10% of that risk gets incorporated into the FY18 budget assumptions for net revenue.

EXPENSE ASSUMPTIONS

- Salary and benefit expense is projected to increase significantly due to projected increases in health care costs and retirement funding for university employees. The impact of the increase in FY18 is estimated at more than \$30m.

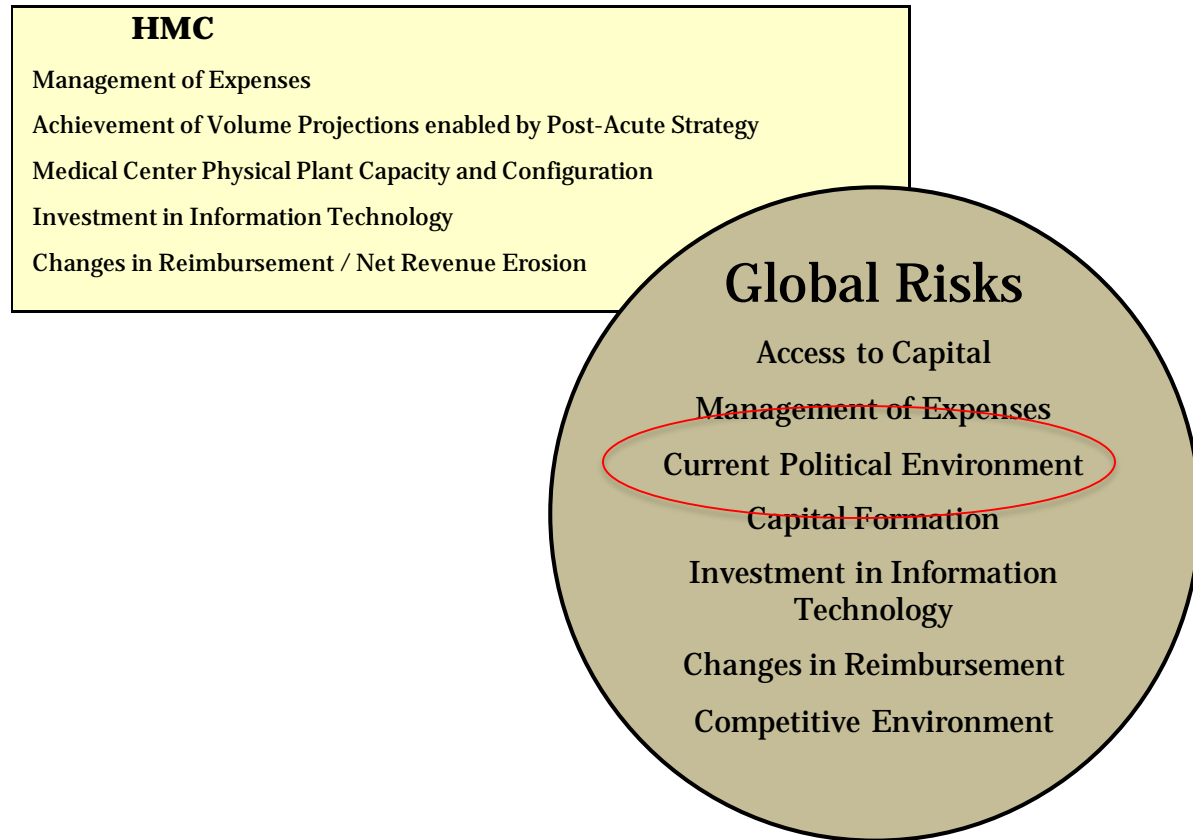
Example:	<u>FY17</u>	<u>FY18</u>
Salary	75,000	77,250
Benefits (Insurance, Retirement	<u>25,650</u>	<u>28,660</u>
	100,650	105,910
 Benefit Rate	 34%	 37%

- Other inflation factors:
 - Supplies – 2%
 - Pharmaceuticals – 8%
 - Purchased Services – 2%
 - Building Maintenance/Lease Expense (annual expense > than \$40M to maintain King County buildings) – 3%
 - Mission Support payment to King County - \$5M
 - Operating Expense per day > \$3M

RISK MAP

The financial plan is a projection based on the best information the organization has today. Risks to achieving the plan are shown below.

FY18-FY22 LRFP Risks UW MEDICINE



Questions?