

Mendocino Coast District Hospital

Statement of Revenues and Expenses

Budget Assumptions

Introduction

The overall approach for the next fiscal year's budget was to take the current '17-'18 actual YTD experience and then adjust for specific areas where there can be realistic improvements in efficiency and attainable cost reductions. These goals in improving our bottom-line will not materialize without changing the status quo, thereby most likely not welcomed by some individuals or special interest groups, but absolutely needed if we are to achieve a positive bottom-line.

Charges

Gross patient service revenues increased only \$904,000 in total, a conservative estimate overall. Conservative meaning the improvement to the bottom-line is not coming from unrealistic large increases in volumes. There are only modest increases in volumes in most departments, indicated by the detailed lines of IP, swing bed, OP and HH. The largest change is in the Clinic where there is a reduction in some of the more costly specialty services, but where the primary care volume is projected to have a reasonable increase.

Net Revenue

The detail of deductions from revenue (contractual allowances, bad debt, charity, etc.) are not shown because of the continuing analysis of determining how much contractual allowance actually is bad debt and charity. The proper classification of bad debt and charity care is important data for the management of MCDH, making better informed decisions.

An estimated \$460,000 increase in net revenues is from volume increases, where an estimated \$1.2 million increase is from improvements in the revenue cycle process. The revenue cycle is set to capture more charges from services already performed, reduce denials from insurance companies, reduce administrative adjustments from untimely billing, enhance commercial insurance payments per contracts, etc.

Costs

Notice that some financial line items have the current year equal to the budget, and this is done purposefully to illustrate there is no material difference planned for next year. This makes all other increases/decreases in costs purposeful and/or supported by reasonable expectations.

Summary

net from patient volumes	460,000
revenue cycle improvements	<u>1,200,000</u>
total revenue increase	1,660,000
loss in 340B revenues, etc.	(206,000)
cost reductions:	
replacing registry with employees	1,000,000
more reasonable benefits	360,000
increased efficiencies in depts	335,000
reduction in professional fees	46,000
other cost reductions	100,000
cost increases:	
supplies, inflation	(303,000)
utilities, price increase	(32,000)
insurance (increase from CA wildfires)	(27,000)
depreciation, added fixed assets	<u>(28,000)</u>
net cost reduction	1,451,000
positive bottom-line impact	<u>2,905,000</u>

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	Actual YTD 5/31/18	estimated FY 2018	↑↓		Budget FY 2019
GROSS PATIENT SERVICE REVENUES					
INPATIENT	\$ 20,569,789	22,280,000	624,000	2.8%	22,904,000
SWING BED	2,248,350	2,470,000	30,000	1.2%	2,500,000
OUTPATIENT	77,008,530	84,420,000	1,036,000	1.2%	85,456,000
NORTH COAST FAMILY HEALTH CENTER	5,849,393	6,380,000	(786,000)	-12.3%	5,594,000
HOME HEALTH	1,410,256	1,560,000	0	0%	1,560,000
TOTAL PATIENT SERVICE REVENUES	107,086,317	117,110,000	904,000	0.8%	118,014,000
DEDUCTIONS FROM REVENUE					
CONTRACTUAL ALLOWANCES	(60,773,748)				
POLICY DISCOUNTS	(133,490)				
STATE PROGRAMS	1,428,850				
BAD DEBT	(1,660,001)				
CHARITY	(172,751)				
TOTAL DEDUCTIONS FROM REVENUES	(61,311,139)	(66,752,000)	756,000		(65,996,000)
	57.3%	57.0%	-1.1%		55.9%
NET PATIENT SERVICE REVENUES	45,775,178	50,358,000	1,660,000	3%	52,018,000
OTHER OPERATING REVENUES	2,131,260	2,306,000	(206,000)	-9%	2,100,000
TOTAL OPERATING REVENUES	47,906,437	52,664,000	1,454,000		54,118,000
OPERATING EXPENSES					
SALARIES & WAGES - STAFF	16,019,080	17,559,000	440,000	3%	17,999,000
EMPLOYEE BENEFITS	8,239,397	8,991,000	(135,000)	-2%	8,856,000
PROFESSIONAL FEES - PHYSICIAN	5,967,064	6,527,000	0	0%	6,527,000
OTHER PROFESSIONAL FEES - REGISTRY	5,966,677	6,567,000	(2,000,000)	-30%	4,567,000
OTHER PROFESSIONAL FEES - OTHER	1,331,809	1,460,000	(46,000)	-3%	1,414,000
SUPPLIES - DRUGS	4,259,656	4,679,000	187,000	4%	4,866,000
SUPPLIES - MEDICAL	2,657,848	2,907,000	116,000	4%	3,023,000
SUPPLIES - OTHER	877,163	984,000	0	0%	984,000
PURCHASED SERVICES	1,432,335	1,567,000	0	0%	1,567,000
REPAIRS & MAINTENANCE	893,374	974,000	0	0%	974,000
UTILITIES	737,761	811,000	32,000	4%	843,000
INSURANCE	492,662	535,000	27,000	5%	562,000
DEPRECIATION & AMORTIZATION	1,377,719	1,508,000	28,000	2%	1,536,000
RENTAL/LEASE	495,722	550,000	0	0%	550,000
OTHER EXPENSE	1,478,628	1,608,000	(100,000)	-6%	1,508,000
TOTAL OPERATING EXPENSES	52,226,895	57,227,000	(1,451,000)	-3%	55,776,000

NET OPERATING SURPLUS (LOSS)	(4,320,457)	(4,563,000)	2,905,000	(1,658,000)
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NON-OPERATING REVENUES (EXPENSES)

OPERATING TAX REVENUES	675,599	737,000	59,000		796,000
INVESTMENT INCOME	43,664	46,000	0		46,000
DONATIONS	325,068	325,000	0		325,000
INTEREST EXPENSE (ALL)	(591,904)	(636,000)	(18,000)		(654,000)
EXTRAORDINARY GAINS/(LOSS)	63,482	63,000	(63,000)		0
BOND EXPENSE (ALL)	10,174	10,000	2,000		12,000
TAX SUBSIDIES FOR GO BONDS	304,876	333,000	0		333,000
PARCEL TAX REVENUES	0	0	1,600,000		1,600,000
TOTAL NON OPERATING INCOME (LOSS)	830,960	878,000	1,580,000		2,458,000

TOTAL NET INCOME (LOSS)	(3,489,498)	(3,685,000)	4,485,000	800,000
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Operating Margin	-9%	-9%	-3%
Total Profit Margin	-7%	-7%	1%
EBIDA	-7%	-6%	0%
Cash Flow Margin	-4%	-4%	1%