

## **Warner Hospital and Health Services Fiscal Year 2021 Budget Summary**

### **Capital Budget**

#### **Capital budget total of \$1,589,500 (excluding carry over and contingency)**

Major expenditures include:

- Remodel the vacated patient financial services space for emergency department support functions and redesign the patient intake area for \$300,000. This will also enable the facility to meet the safety recommendations provided in the Illinois Department of Public Health 2019 site survey.
- Laboratory remodel phase 2 for \$250,000 to continue with updating the appearance of the lab to improve efficiency and the overall patient experience. The cabinets and countertops are original to the building.
- Phone system for \$235,000 to improve the ease of use for staff to communicate more efficiently with newer technology. This will replace the current system purchased in 1993.
- Other facilities improvements totaling approximately \$474,000 including either the replacement or major repair of the hospital generator, family medicine rooftop heating and cooling unit, main campus parking lot improvements, Wellness Center parking lot and sidewalk, flooring replacement in employee accessed areas, and replacement windows.
- Medical equipment includes a radiology C-arm for \$75,000, a cardiology EKG machine for \$19,000, and a surgery equipment including \$60,000 processing sink and a \$12,000 liver retractor.

### **Operating Budget**

#### **Excess of revenues over expenses of \$505,152**

#### **Total Gross Patient Service Revenue: \$35.0 million**

- Total of \$34,996,896 in patient charges
- Gross patient revenue includes an overall inflationary increase in charges based upon the Medical Consumer Price Index.
- Inpatient revenue is 9% and outpatient revenue is 91% of the total revenue.

#### **Deductions from Revenue: \$15.8 million**

- Of the nearly \$31 million in patient charges, approximately 45% of those charges will be adjusted off due to adjustments such as Medicare, Medicaid, managed care contracts, uncollectible accounts, financial assistance, and workers' compensation.
- The current year projected Medicare and Medicaid deductions from revenue lines include prior year settlements received this year relating to the prior year Medicare cost report and the correction of Medicaid assessment rates. Medicaid adjustments also increased with the price increase as charges do not affect reimbursement.

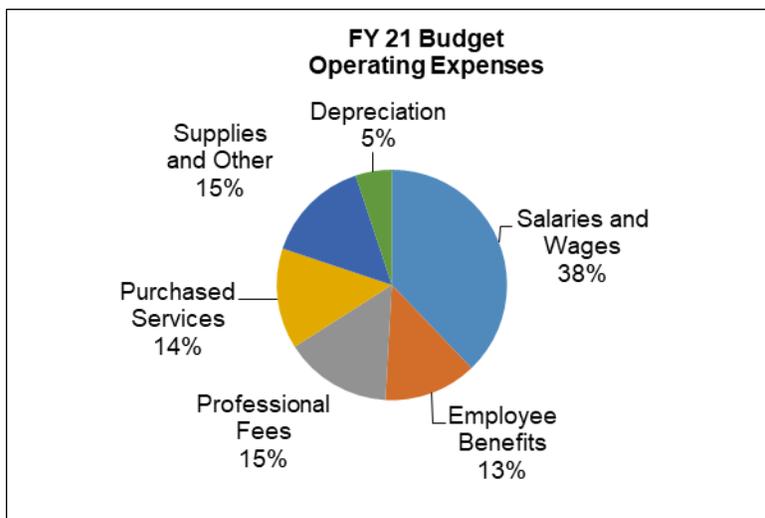
- The new Medicaid Hospital Assessment Program (HAP) took effect 7/1/18 that includes a Small Public Hospital adjustment worth about \$785,000 annually to WHHS because WHHS is a government owned hospital.
- The new HAP implements a phase-in approach that reduces the fixed assessment payments while the Medicaid patient payment rates are increased. The Medicaid assessment fixed payments will continue to decrease as this phase-in approach is implemented over the next several years. State Fiscal Years (SFY) 2019 and SFY 2020 are Phase I when approximately 18% of the fixed payments are shifted into patient rates. The phase-in continues until 50% of the fixed payments are shifted in Phase 4 in SFY 2024.
- A new Medicare cost report regulation is effective beginning in FY 21 that caused a shift in the deductions from revenue from Medicaid to uncollectible of approximately \$250,000 for Medicaid bad debts to continue to be partially reimbursed on the cost report.

**Net Patient Service Revenue: \$19.2 million**

**Other Operating Revenue: \$1.1 million**

- The largest component of other operating revenue includes for the 340B retail drug pricing program.
- Other operating revenue also includes revenue such as cafeteria, jail meals, specialty clinic physician rent, medical staff credentialing, and medical record copies.

**Operating Expenses: \$19.9 million**



**Salaries and wages: 38% of total expenses**

- Salaries and wages include an inflationary pay rate increase. The wages for bargaining unit employees are subject to union negotiations. An increase is budgeted to continue with the efforts of adjusting wages to align with the market, particularly in those job levels impacted by the new minimum wage law and those in the next few levels up. In

addition, several departments have operated short-staffed for periods throughout the year so those wages are not fully reflected in the projection.

- A third shift emergency department tech was recently added to improve the service quality and security of having a medically trained person at the desk. This additional coverage has been beneficial to the flow and performance of the department and will reduce registration errors and missing information.
- The Family Medicine clinic has been operating with one less physician this year. The budget includes the salary and related costs for replacing this position, plus a part-time physician has been added.

**Employee benefits: 13% of total expenses**

- The increased budgeted benefit expense correlates with the increased budgeted salary expense.

**Professional fees: 15% of total expenses**

- The largest component is for the emergency department physician coverage. While the emergency physicians bill for their own professional services, the hospital pays a fee for stand-by time for the physicians to be available 24 hours every day. The emergency and hospitalist physician cost increase is the majority of the budget increase.
- Professional fees also include expenses such as security staff, physical therapy staff, the pharmacy manager position, certified registered nurse anesthetists (CRNAs), hospitalist coverage, information services consulting staff, the surgeon professional services agreement, outside agency nursing coverage, as well as legal, auditing, and consulting fees.

**Supplies: 15% of total expenses**

- This line includes all supplies such as patient chargeable and patient care supplies, lab reagents and blood, pharmaceuticals, medical gases, food, general maintenance and office supplies, and minor equipment.
- The supplies line also includes minor equipment such as laparoscopic surgical instruments, emergency department surgical lights and bladder scanner, respiratory pulmonary function testing equipment and flowmeters, FM counters, lab blood bank workstation, and materials shelving. The new CVS 340B retail drug pricing program started this fiscal year has a full year of pharmaceutical supply expense budgeted. Additional emergency preparedness supplies have also been budgeted.

**Utilities: 1% of total expenses**

**Purchased services and maintenance services: 14% of total expenses**

- Purchased services also include:
  - Medical purchased services such as nuclear medicine, ultrasound, MRI services, and reference lab.
  - Repairs, maintenance, service agreements, software subscriptions and hosting.
  - Other purchased services such as advertising, transcription, laundry, management services in pharmacy and physical therapy, software subscriptions, and hosting agreements.

- Increased purchased services include:
  - Information services hosting fees, for Meditech and the entire system.
  - A new staff emergency notification system for safety and emergency issues is also included in the budget.
  - The current year projected purchased services is also lower because it included Universal Service Fund credits received this year for fiber expense in prior years. Invoice timing is also a factor where some fees are paid annually and are not fully reflected in the projection.
  - Patient financial services pricing transparency regulations software subscriptions.

**Education and travel: 0.7% of total expense**

**Insurance: 1% of total expenses**

- The insurance budget includes professional liability for the replacement FM physician. The projected insurance expense includes \$60,000 in dividends (IPT) and a refund related to the retiring FM physician received this fiscal year related to the prior year.

**Depreciation: 5% of total expenses**

**Other expenses: 0.4 % of total expenses**

- Other expenses include postage and family medicine provider recruitment.

**Nonoperating revenue and expenses: \$160,750**

- Tax revenue is eliminated from the budget.