

I M P R O V I N G H E A L T H . S A V I N G L I V E S .

# FY 2018 Budget



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HEALTH SYSTEM

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# ON MS GULF COAST

for Medical Excellence in  
Overall Medical Care!



# Medical Excellence

- Overall Medical Care
  - Top 10% Mississippi
  - #1 in Market
- Cancer Care
  - Top 10% in Nation, Mississippi
  - #1 in Market
- Cardiac Care
  - Top 10% Mississippi
  - #1 in Market
- Gastrointestinal Care
  - #1 in Market
- General Surgery
  - #1 in Market
- Heart Attack Treatment
  - #1 in Market
- Heart Failure Treatment
  - Top 10% Mississippi
- Hip Fracture Repair
  - Top 10% Nation, Region, Mississippi
  - #1 in Mississippi
  - #1 in Market
- Interventional Coronary Care
  - #1 in Market
- Major Bowel Procedures
  - #1 in Market
- Neurological Care
  - #1 in Market
- Pneumonia Care
  - Top 10% Mississippi
  - #1 in Market
- Pulmonary Care
  - Top 10% Nation, Region, Mississippi
  - #1 in Market
- Vascular Surgery
  - #1 in Market



# Patient Safety

- Cancer Care
  - Top 10% Nation, Region, Mississippi
  - #1 in Market
- Cardiac Care
  - Top 10% Nation, Region, Mississippi
  - #1 in Market
- Gastrointestinal Hemorrhage
  - Top 10% Nation, Region, Mississippi
  - #1 in Market
- Heart Failure Treatment
  - Top 10% Nation, Region, Mississippi
- Interventional Carotid Care
  - #1 in Market
- Interventional Coronary Care
  - Top 100 Nation
  - Top 10% Nation, Region, Mississippi
  - #1 in Mississippi, Market
- Neurological Care
  - Top 10% Nation, Region, Mississippi
  - #1 in Market
- Pulmonary Care
  - Top 10% Nation, Region, Mississippi
  - #1 in Market
- Stroke Care
  - Top 10% Mississippi
  - #1 in Market
- Vascular Surgery
  - Top 100 Nation
  - Top 10% Nation, Region, Mississippi
  - #1 in Market

# FY 2018 Budget Assumptions

- 36-bed distinct part-skilled nursing unit opening in August 2017
- Projected 8% increase in surgical volume
- Admissions growth from faster ER admit criteria
- 2% growth in retail and contract pharmacies
- Addition of two Pulmonologists and a Rheumatologist
- 3% increase in PT/OT/ST volume with Bienville opening and continuing growth
  
- \$1.5 million cut in DSH payments
- Raise to increase retention and maintain quality service
- Additional labor costs to accommodate increase in surgical volume and for additional physicians
- Increases in salaries, supplies, and other operating expenses related to increases in volume

# Stat Drivers

	FY 2017 Annualized	FY 2018 Budget	Annualized Variance	Var %
Total Admissions - Acute	16,800	17,537	737	4%
Deliveries	1,411	1,425	14	1%
Total Surgeries	9,384	10,135	751	8%
CV Surgeries	429	446	17	4%
ER Visits	58,042	58,622	580	1%
PT/OT/ST Treatments	392,827	404,612	11,785	3%
Rheumatology Visits	3,098	6,164	3,067	99%
Cancer Visits	36,053	38,216	2,163	6%

# Overall Budget

	FY 2017 Annualized	FY 2018 Budget	Annualized Variance	Var %
<b>Patient Revenue</b>				
Inpatient	847,584,288	896,117,519	48,533,232	6%
Outpatient	933,648,992	951,686,373	18,037,381	2%
Professional	45,209,188	49,304,296	4,095,108	9%
<b>Total Patient Revenue</b>	<b>1,826,442,467</b>	<b>1,897,108,188</b>	<b>70,665,720</b>	<b>4%</b>
<b>Deductions From Revenue</b>				
Deductions From Revenue	1,492,682,593	1,548,708,226	(56,025,633)	-4%
<b>Total Deductions From Revenue</b>	<b>1,492,682,593</b>	<b>1,548,708,226</b>	<b>(56,025,633)</b>	<b>-4%</b>
<b>Net Patient Revenue</b>	<b>333,759,874</b>	<b>348,399,962</b>	<b>14,640,088</b>	<b>4%</b>
Other Operating Revenue	6,761,440	7,139,982	378,542	6%
<b>Total Operating Revenue</b>	<b>340,521,314</b>	<b>355,539,944</b>	<b>15,018,629</b>	<b>4%</b>
<b>Operating Expenses</b>				
Salaries & Wages	130,270,136	137,346,221	(7,076,085)	-5%
Benefits	25,587,681	26,066,770	(479,088)	-2%
Pension Adjustment	23,559,083	22,169,395	1,389,688	6%
Professional Fees	4,649,214	4,306,211	343,003	7%
Drugs & Pharmaceuticals	25,627,896	26,376,086	(748,191)	-3%
Other Supplies	43,078,395	45,706,793	(2,628,398)	-6%
Depreciation and Amortization	19,025,778	20,987,042	(1,961,264)	-10%
Interest	4,368,059	3,959,330	408,729	9%
Other Expenses	73,260,355	77,203,425	(3,943,070)	-5%
<b>Total Operating Expenses</b>	<b>349,426,598</b>	<b>364,121,274</b>	<b>(14,694,676)</b>	<b>-4%</b>
<b>Excess of Revenue Over Expenses from Operations</b>	<b>(8,905,284)</b>	<b>(8,581,330)</b>	<b>323,953</b>	<b>4%</b>
<b>Excess of Revenue Over Expenses from Operations excluding Pension Adjustment</b>	<b>14,653,799</b>	<b>13,588,065</b>	<b>(1,065,735)</b>	<b>-7%</b>
<b>Non-Operating Income</b>				
Other NonOperating Revenue\Exper	3,439,015	1,974,362	(1,464,653)	-43%
Gain(Loss) on Sale of Assets	13,250	13,307	57	0%
<b>Total Non-Operating Income</b>	<b>3,452,265</b>	<b>1,987,669</b>	<b>(1,464,596)</b>	<b>-42%</b>
<b>Excess of Revenue Over Expense:</b>	<b>(5,453,019)</b>	<b>(6,593,661)</b>	<b>(1,140,642)</b>	<b>-21%</b>
<b>Excess of Revenue Over Expenses excluding Pension Adjustment</b>	<b>18,106,064</b>	<b>15,575,734</b>	<b>(2,530,330)</b>	<b>-14%</b>

**NOTE:** On July 27, 2017, as a result of the Fifth Circuit Opinion, the pension lawsuit will not settle prior to September 30, 2017. The proposed pension expense for both years, with no settlement, is estimated to be \$22.2M. This is a non-cash line item and will be further adjusted in the audited year end statements, in accordance with GASB 68. These estimates are the most current information, and will change as a result of the actuarial calculations as of September 30, 2017, to be included in the final year-end audit report<sup>7</sup> The FY 2017 Actual numbers include an additional \$1.35M pension census data audit adjustment, as provided by the actuary.

# Revenues

Description	FY 2017 Annualized	FY 2018 Budget	Annualized Variance B/(W)	Var %
<b>Net Patient Revenue</b>	<b>333,759,874</b>	<b>348,399,962</b>	<b>14,640,088</b>	<b>4.4%</b>
<b>Other Operating Revenue</b>				
Retail Pharmacy Contracts	1,934,826	1,943,192	8,366	0%
Vendor Prompt Pay Discounts	100,004	100,436	432	0%
Clinical Trial Revenue	4,114	-	(4,114)	-100%
Gift Shop Sales	892,072	985,522	93,450	10%
Employee Pharmacy	1,594,557	1,601,452	6,895	0%
VHA Income	297,774	299,061	1,288	0%
Photography Commissions	1,472	1,479	6	0%
Vending Machine Commissions	35,427	35,580	153	0%
Transportation Grant Revenue	-	252,784	252,784	100%
Medical Records Fees	209,398	210,303	905	0%
Returned Check Fees	54,561	54,797	236	0%
Epic Subscription Income	95,135	95,546	411	0%
Credit Card Rebate	17,819	17,896	77	0%
Miscellaneous	152,808	164,529	11,721	8%
Clinic Contract Revenue	173,314	174,064	749	0%
Clinic Rental Income	958,746	962,891	4,146	0%
Ambulatory Surgery Center Revenue	239,414	240,449	1,035	0%
<b>Total Other Operating Revenue</b>	<b>6,761,440</b>	<b>7,139,982</b>	<b>378,542</b>	<b>6%</b>
<b>Total Operating Revenue</b>	<b>340,521,314</b>	<b>355,539,944</b>	<b>15,018,629</b>	<b>4%</b>

# Labor

Description	FY 2017 Annualized	FY 2018 Budget	Annualized Variance B/(W)	Var %
<b>Salaries &amp; Wages</b>	<b>130,270,136</b>	<b>137,346,221</b>	<b>(7,076,085)</b>	<b>-5%</b>
<b>Benefits</b>				
FICA Taxes	8,629,363	9,332,272	(702,909)	-8%
Health Benefit Expense	14,547,388	14,156,685	390,703	3%
Tuition Assistance	90,544	100,000	(9,456)	-10%
Other Benefits	348,880	380,363	(31,483)	-9%
Workers Comp Expense	804,076	807,553	(3,477)	0%
Defined Contribution Employer Match Expense	1,167,431	1,289,897	(122,466)	-10%
Pension Adjustment	23,559,083	22,169,395	1,389,688	6%
<b>Total - Benefits</b>	<b>49,146,764</b>	<b>48,236,165</b>	<b>910,600</b>	<b>2%</b>
<b>Total - Benefits excluding Pension Adjustment</b>	<b>25,587,681</b>	<b>26,066,770</b>	<b>(479,088)</b>	<b>-2%</b>
<b>Physician Fees</b>	<b>4,649,214</b>	<b>4,306,211</b>	<b>343,003</b>	<b>7%</b>

**NOTE:** On July 27, 2017, as a result of the Fifth Circuit Opinion, the pension lawsuit will not settle prior to September 30, 2017. The proposed pension expense for both years, with no settlement, is estimated to be \$22.2M. This is a non-cash line item and will be further adjusted in the audited year end statements, in accordance with GASB 68. These estimates are the most current information, and will change as a result of the actuarial calculations as of September 30, 2017, to be included in the final year-end audit report. The FY 2017 Actual numbers include an additional \$1.35M pension census data audit adjustment, as provided by the actuary.

# Expenses

Description	FY 2017 Annualized	FY 2018 Budget	Annualized Variance B/(W)	Var %
<b>Drugs</b>	<b>25,627,896</b>	<b>26,376,086</b>	<b>(748,191)</b>	<b>-3%</b>
<b>Other Supplies</b>				
Nonchargeable Medical Supplies	6,919,855	7,410,551	(490,696)	-7%
Chargeable Medical Supplies	14,637,811	15,433,875	(796,064)	-5%
Office Supplies	336,145	337,477	(1,333)	0%
Minor Computer Equipment	383,322	435,005	(51,683)	-13%
Minor Noncomputer Equipment	713,513	793,527	(80,014)	-11%
Other Operating Supplies	990,265	1,000,982	(10,717)	-1%
Orthopedic Hardware	1,448,065	1,585,128	(137,063)	-9%
Spinal Hardware	1,989,287	2,177,418	(188,131)	-9%
Pain Stimulators	646,091	707,348	(61,258)	-9%
Joint Components	4,391,281	4,807,057	(415,775)	-9%
Stents	2,392,156	2,460,929	(68,774)	-3%
CRM (Cardiac Rhythm Management)	3,461,290	3,494,115	(32,825)	-1%
Catheters/Ports	122,763	131,920	(9,157)	-7%
Heart Valves	557,060	609,748	(52,688)	-9%
Tissue, Mesh, Graft	1,477,491	1,613,827	(136,336)	-9%
Hemostatic Agent	269,886	295,455	(25,570)	-9%
Implants	2,089,437	2,158,020	(68,583)	-3%
Nutrition Expense	252,679	254,409	(1,731)	-1%
<b>Other Supplies</b>	<b>43,078,395</b>	<b>45,706,793</b>	<b>(2,628,398)</b>	<b>-6%</b>
<b>Depreciation &amp; Amortization</b>	<b>19,025,778</b>	<b>20,987,042</b>	<b>(1,961,264)</b>	<b>-10%</b>
<b>Interest</b>	<b>4,368,059</b>	<b>3,959,330</b>	<b>408,729</b>	<b>9%</b>

# Expenses

Description	FY 2017 Annualized	FY 2018 Budget	Annualized Variance B/(W)	Var %
<b>Other Operating Expenses</b>				
Contract Labor	21,441,537	23,114,516	(1,672,979)	-8%
Linen	1,190,167	1,275,248	(85,081)	-7%
Blood	1,307,450	1,410,093	(102,642)	-8%
Continuing Education	403,920	582,569	(178,650)	-44%
Dues And Subscriptions	182,495	192,607	(10,112)	-6%
Licenses Fees and Taxes	614,505	582,236	32,269	5%
Mileage	176,342	160,779	15,563	9%
Rental Expense	5,115,590	5,143,517	(27,927)	-1%
Electricity	2,328,052	2,382,195	(54,143)	-2%
Gas	598,912	601,623	(2,711)	0%
Water	184,641	190,557	(5,916)	-3%
Sewer	168,051	173,888	(5,837)	-3%
Other Utilities	72,850	73,189	(339)	0%
Bulk Oxygen	112,040	112,524	(484)	0%
Other Expenses	688,376	707,444	(19,068)	-3%
Postage	80,051	85,003	(4,952)	-6%
Freight	699,920	703,182	(3,263)	0%
Bank Fees	319,096	320,476	(1,380)	0%
Purchased Services	13,547,806	14,512,425	(964,619)	-7%

# Expenses and Margin

Description	FY 2017 Annualized	FY 2018 Budget	Annualized Variance B/(W)	Var %
Audit Fees	417,254	340,908	76,346	18%
Nonphysician Fees	11,640	11,352	287	2%
Repairs And Maintenance	9,365,348	9,940,115	(574,767)	-6%
Hardware Maintenance Contracts	776,218	821,504	(45,286)	-6%
Software Maintenance Contracts	4,915,753	5,181,856	(266,103)	-5%
Collection Expense	2,658,258	2,625,553	32,705	1%
Marketing Expense	694,114	746,950	(52,836)	-8%
Legal Collection Financial Matters	146,739	147,373	(634)	0%
Malpractice Insurance	1,557,362	1,564,096	(6,734)	0%
Legal General Fees	1,393,924	1,398,654	(4,730)	0%
Litigation Expense	1,042,647	1,047,155	(4,508)	0%
Legal Professional Liability	998,787	1,003,106	(4,319)	0%
Legal Federal & State Advocacy	17,143	17,217	(74)	0%
Special Compliance Issues	33,370	33,514	(144)	0%
<b>Total - Other Operating Expenses</b>	<b>73,260,355</b>	<b>77,203,425</b>	<b>(3,943,070)</b>	<b>-5%</b>
<b>Total Operating Expenses</b>	<b>349,426,598</b>	<b>364,121,274</b>	<b>(14,694,676)</b>	<b>-4%</b>
<b>Total Operating Expenses excluding Pension Adjustment</b>	<b>325,867,515</b>	<b>341,951,879</b>	<b>(16,084,364)</b>	<b>-5%</b>
<b>Excess of Revenue Over Expenses from Operations</b>	<b>(8,905,284)</b>	<b>(8,581,330)</b>	<b>323,953</b>	<b>-4%</b>
<b>Excess of Revenue Over Expenses from Operations excluding Pension Adjustment</b>	<b>14,653,799</b>	<b>13,588,065</b>	<b>(1,065,735)</b>	<b>-7%</b>
<b>Operating Margin</b>	<b>-2.6%</b>	<b>-2.4%</b>	<b>0.2%</b>	<b>-8%</b>
<b>Operating Margin excluding Pension Adjustment</b>	<b>4.3%</b>	<b>3.8%</b>	<b>-0.5%</b>	<b>-11%</b>
<b>Total Non Operating</b>	<b>3,452,265</b>	<b>1,987,669</b>	<b>(1,464,596)</b>	<b>-42%</b>
<b>Excess of Revenue Over Expenses</b>	<b>(5,453,019)</b>	<b>(6,593,661)</b>	<b>(1,140,642)</b>	<b>-21%</b>
<b>Excess of Revenue Over Expenses excluding Pension Adjustment</b>	<b>18,106,064</b>	<b>15,575,734</b>	<b>(2,530,330)</b>	<b>-14%</b>

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# 2018 Capital Budget



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# FY 2018 Capital Budget

Department	Description	2018
ANESTHESIA	Glidescope, Anesthesia Mach w/ Monitor	\$ 223,000
AUTOMOTIVE	Van for Hospice	20,000
CAMPUS POLICE	Video Recorder, Police Radios	41,500
CANCER SERVICES	Enhanced SBRT Txment module, Image Software	1,105,500
CARDIAC SERVICES	3D Echo Machine, Q-Site Implant Mgt Software, EKG Ma	387,600
CRC	Mobility Equipment	41,500
CRITICAL CARE SVCS	Glidescope, Ultrasound Equipment	120,000
EMERGENCY SVCS	Portable Ultrasound Equipment	160,000
FACILITIES SUPPORT	Nurse Call, Cath Lab Pt Flow, Fire System, CRC pt rooms, IV Pumps, OSH Pt Beds, Waiting Rm Furniture	2,460,000
FOOD SERVICES	Refrigerators, Convection Oven, Food Warmer	45,900
GIFT SHOP	Flower Cooler	5,000
HEALTHPLEX	Spin Bikes	32,000
INFORMATION SYSTEMS	Microsoft Enterprise Agmt, Network Switches, EPIC Add-ons, MaLab Upgrade, Radiology PACS Upgrades, EPIC Interfaces	3,203,600
LABORATORY	Chemistry Analyzers, Micro Equipment, Gram Stainers, Cryostat, Centrifuge	702,700
LABOR AND DELIVERY	Birthing Beds, Portable Ultrasound Machines	305,000
MAILROOM	Mail Machine	15,000
MED/SURG UNITS	Bladder Scanners, Pt Ice Machines	47,000
NEUROSCIENCE	NCS/EMG Machine	21,000
PT TRANSPORTATION	Pt Bus	10,000
PHARMACY	Chemo Prep Room, Vent Hood, Refrigerator	118,000
PROPERTY MGT	OS Surgery Center Water Pump, HVAC Replacements	75,000
RADIOLOGY	Wide Bore MRI, Tomosynthesis, Digital X-ray Equipment, Fluoro Rm	2,045,000
REHAB	Rehab Equipment	55,600
RESPIRATORY THERAPY	Pulmonary Function Machines, RT Renovation	179,000
SURGICAL SERVICES	Sterilizer, Defibrillator, Instrument Sets, New OR Rms w Equipment	3,439,500
<b>Subtotal</b>		<b>\$ 14,858,400</b>
INFRASTRUCTURE	Chiller Plant, Cooling Tower Completion, Energy Measures	5,840,000
<b>Total New Capital Spend</b>		<b>\$ 20,698,400</b>