Halifax Hospital Medical Center

Fiscal Year 2018 and Q4 Operating Performance

Presentation to Finance Committee, October 31, 2018

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Executive Summary

- Overview of operating performance
  - Operating income budget variance –
    - Fiscal year 2018 -- $11.1 million
    - Q4 2018 -- $10.6 million
- Significant factors for Q4 results
  - Deterioration in payor mix and collectability of patients accounts
  - Decline in key surgical and other patient care volumes
  - Implementation of new computer system
- Recovery plans
- Other management efforts

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Halifax Health Medical Center
Statements of Revenues, Expenses and Changes in Net Position
$ in thousands

	Actual FY 2018 July - September	Static Budget FY 2018 July - September	Favorable (Unfavorable) Variance
Operating revenues:			
Net patient service revenue, before provision for bad debts	$133,033	$146,837	($13,804)
Provision for bad debts	(21,085)	(24,227)	3,142
Net patient service revenue	111,948	122,610	(10,662)
Ad valorem taxes	1,512	1,512	-
Other revenue	4,380	4,173	207
Total operating revenues	117,840	128,295	(10,455)
Operating expenses:			
Salaries and benefits	60,318	64,529	4,211
Purchased services	17,384	15,330	(2,054)
Supplies	25,163	23,789	(1,374)
Depreciation and amortization	6,490	5,643	(847)
Interest	4,731	4,167	(564)
Ad valorem tax related expenses	1,599	1,568	(31)
Leases and rentals	1,876	1,899	23
Other	5,850	6,361	511
Total operating expenses	123,411	123,286	(125)
Income (loss) from operations	**($5,571)**	**$5,009**	**($10,580)**
Nonoperating revenues, expenses, and gains/(losses):			
Realized investment income/(losses)	3,942	541	3,401
Unrealized investment income/(losses)	(2,411)	(5)	(2,406)
Donation revenue	11	-	11
Nonoperating gains/(losses), net	1,280	-	1,280
Total nonoperating revenues, expenses, and gains/(losses)	2,822	536	2,286
Increase (decrease) in net position	**($2,749)**	**$5,545**	**($8,294)**

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FY 2018 Financial Indicators

Financial Indicator	YTD Actual FY 18	YTD Budget FY 18	YTD Actual vs. Budget	S&P "A"	YTD Actual FY 18 vs. S&P "A"
Total Margin	2.3%	3.2%	Unfavorable	4.1%	Unfavorable
Operating Margin	0.6%	2.4%	Unfavorable	1.4%	Unfavorable
EBIDA Margin	10.2%	10.4%	Unfavorable	11.7%	Unfavorable
Operating EBIDA Margin	8.7%	9.6%	Unfavorable	8.0%	Favorable
Adjusted Operating EBIDA Margin *	8.3%	9.4%	Unfavorable	N/A	N/A
Days Cash on Hand	302	258	Favorable	241	Favorable
Cash to Debt	97.1%	79.6%	Favorable	221.6%	Unfavorable
Debt to Capitalization	59.0%	59.6%	Favorable	26.4%	Unfavorable
OG MADS Coverage **	1.78	2.44	Unfavorable	3.80	Unfavorable
OG Debt to Capitalization **	58.4%	52.9%	Unfavorable	26.4%	Unfavorable

* -Excludes investment income/loss of Foundation recorded as operating income.

** - Debt and debt service requirements include amounts for Obligated Group balloon indebtedness issued under the MTI on June 1, 2018 (Series 2018A Bonds) in the par amount of $85 million. The Series 2018A Bonds were not included in the budgeted amount. Non-obligated group debt was budgeted that has not been incurred.

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Q4 2018 Significant Factors and Recovery Plans ($ in thousands)

	Area	FY 2018 Q4 Contribution Margin	Why	Recovery Plan
1	Deterioration in payor mix and collectability of patient accounts	$6,648	Increased activity in self pay and charity. Billing delay due to new version of Meditech	Focus on cash collections and patient account collectability
2	Radiation Oncology	$110	Move of Daytona cases to New Smyrna Beach due to physician vacancy	Recruit replacement, utilize locums in interim
3	ED Outpatient cases	$596	Urgent Care Center growth. Increase in left without being seen	Add additional fast track, marketing, increased familiarity with new version of Meditech
4	ED Inpatient cases	$1,197	Overall lower volume, inpatient conversion % has decreased	Add additional fast track, market, increased familiarity with new version of Meditech
5	Cardiac Cath cases	$898	2 of 4 labs out of service as equipment was replaced July & August	Re-introduce cardiologists to new labs
6	Cardiac EP cases		2 of 4 labs out of service as equipment was replaced July & August, sole provider moved cases to FH Deland and FH MMC	Re-establish relation with EP physician, recruit additional EP physician
7	Orthopedic cases	$646	Shift of cases by largest group in market	Re-establish connection with group, recruit additional surgeons
8	Neurosurgical cases	$182	Volume decline during development of neuroscience center and UF partnership	Recruited additional neurosurgeons, open up the referral intake process
9	Open heart cases	$386	Loss of related referrals during cath labs being out of service, vacation of 1 surgeon	Cath labs back to full capacity
	Total	**$10,662**		

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Other Management Efforts

- Renewed focus on charge capture and coding, including obs vs admit
- Encourage culture of accommodating surgeon/physician requests
- Renewed focus on OB service line, bring back volume to "the safest place to have your baby"
- Reduce/eliminate ED walk outs, improve ED throughput
- Close management of expenses to budget targets
- Identify additional measures to adjust to lower volume, if necessary

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