



HALIFAX HEALTH

Board of Commissioners and
Audit & Finance Committee
Budget Workshop

4:00 p.m., Monday, August 7, 2017

France Tower Conference Room A
303 No. Clyde Morris Boulevard
Daytona Beach, FL

HALIFAX HEALTH
COMBINED BOARD OF COMMISSIONERS AND
AUDIT & FINANCE COMMITTEE
FISCAL YEAR 2018 BUDGET WORKSHOP

4:00 p.m., Monday, August 7, 2017

AGENDA

- I. Call to Order
- II. Roll Call
- III. Management Presentation and Discussion
- IV. Final Public Hearing Date Options
- V. Adjourn

Fiscal Year 2018 Budget Workshop

Eric M. Peburn
Chief Financial Officer

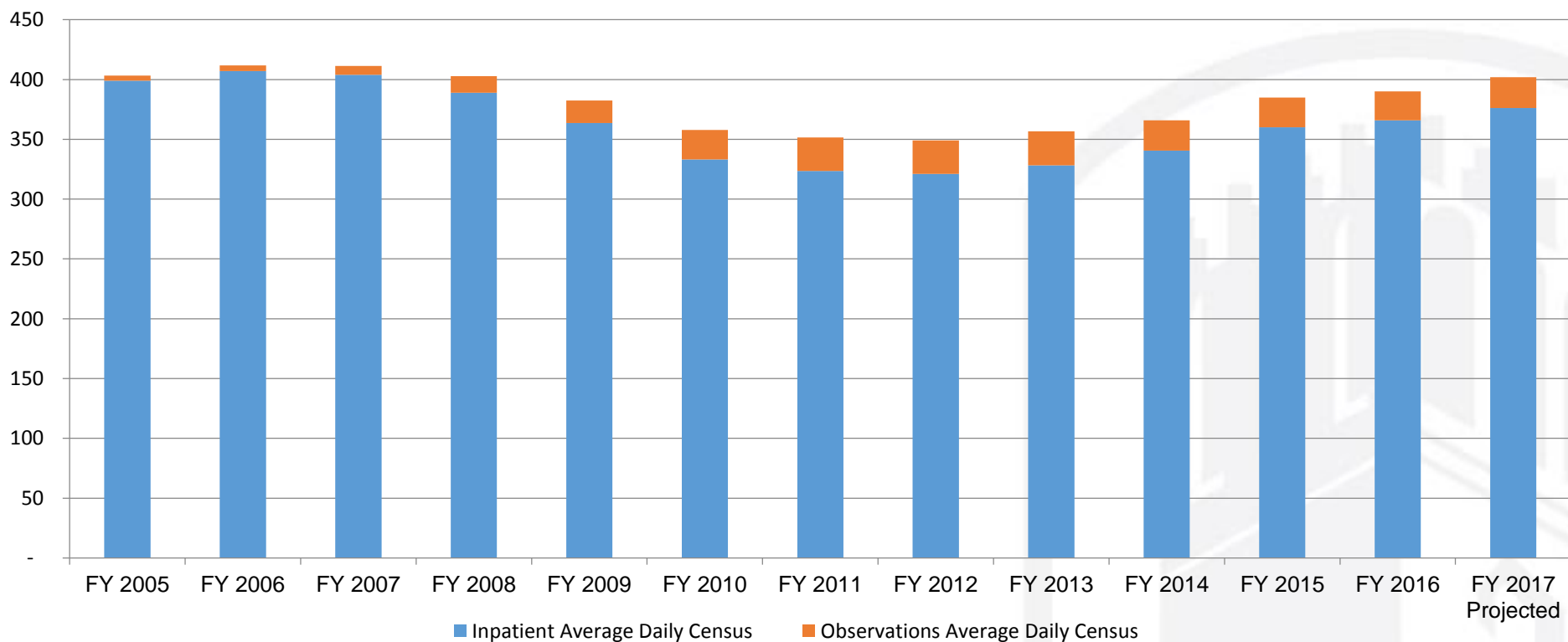
Presentation to the Board of Commissioners and
the Audit and Finance Committee Members
August 7, 2017

Agenda

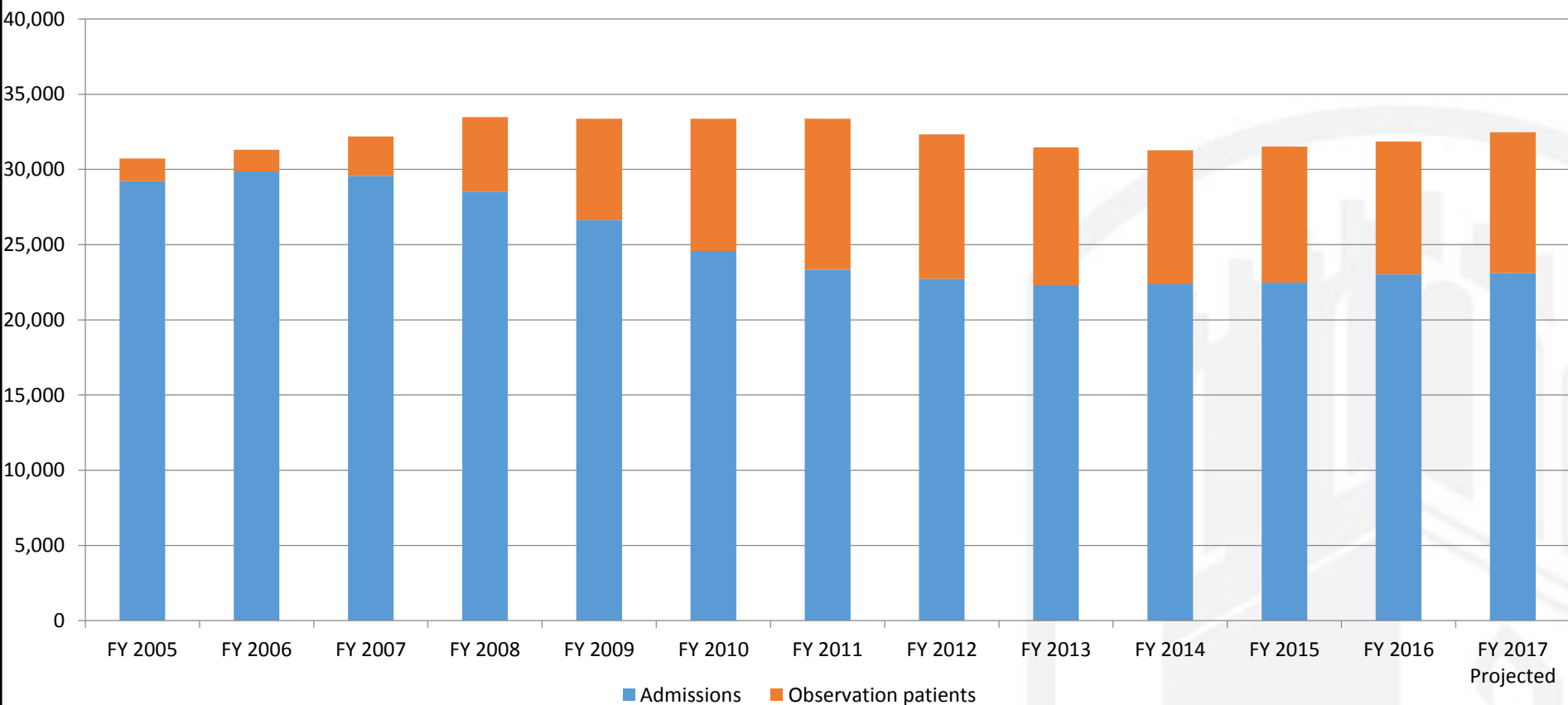
- Historical Financial and Statistical Trends
- Benchmark Comparisons
- Preliminary FY 2018 Operating Budget
 - Budget Premise and Policy
 - Key Factors in Setting Budget
 - Major Changes and Challenges
 - Medicare Assumptions
 - Medicaid Assumptions
 - Preliminary Operating Budget Schedules
- Ad Valorem Tax Schedules
- Appendix

Historical Financial and Statistical Trends

Halifax Health Medical Center Inpatient Days and Observation Patient Day Equivalents

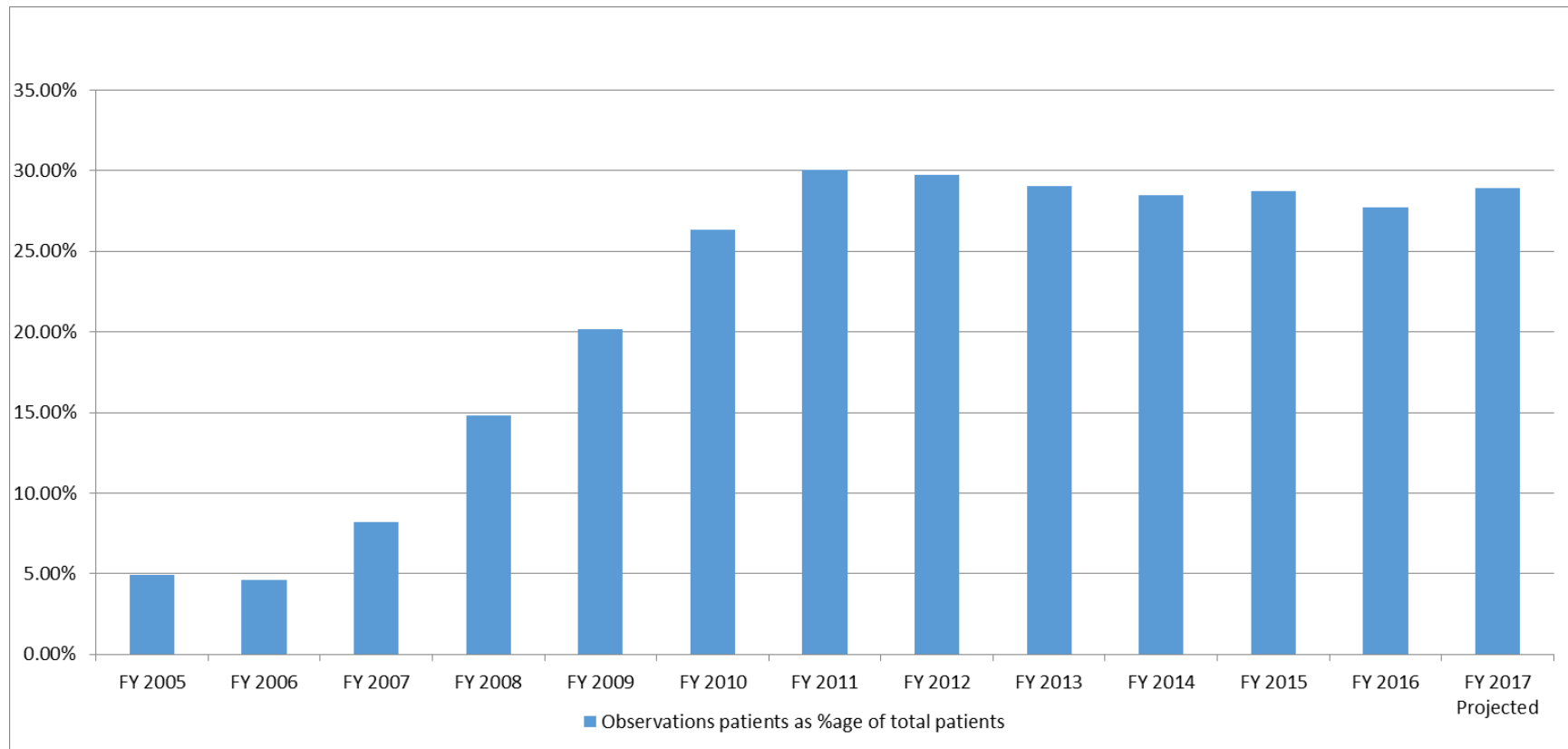


Halifax Health Medical Center Inpatient Admissions and Observation Patients

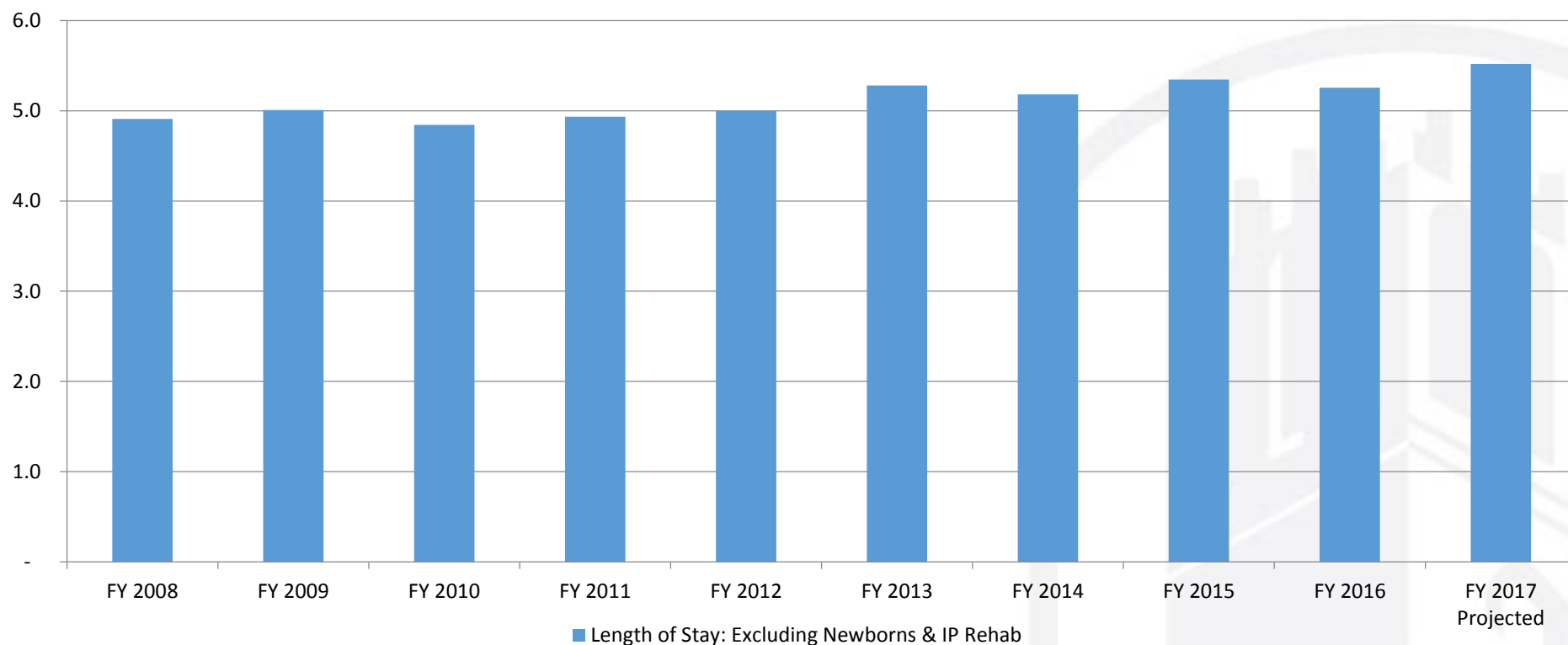


Halifax Health Medical Center

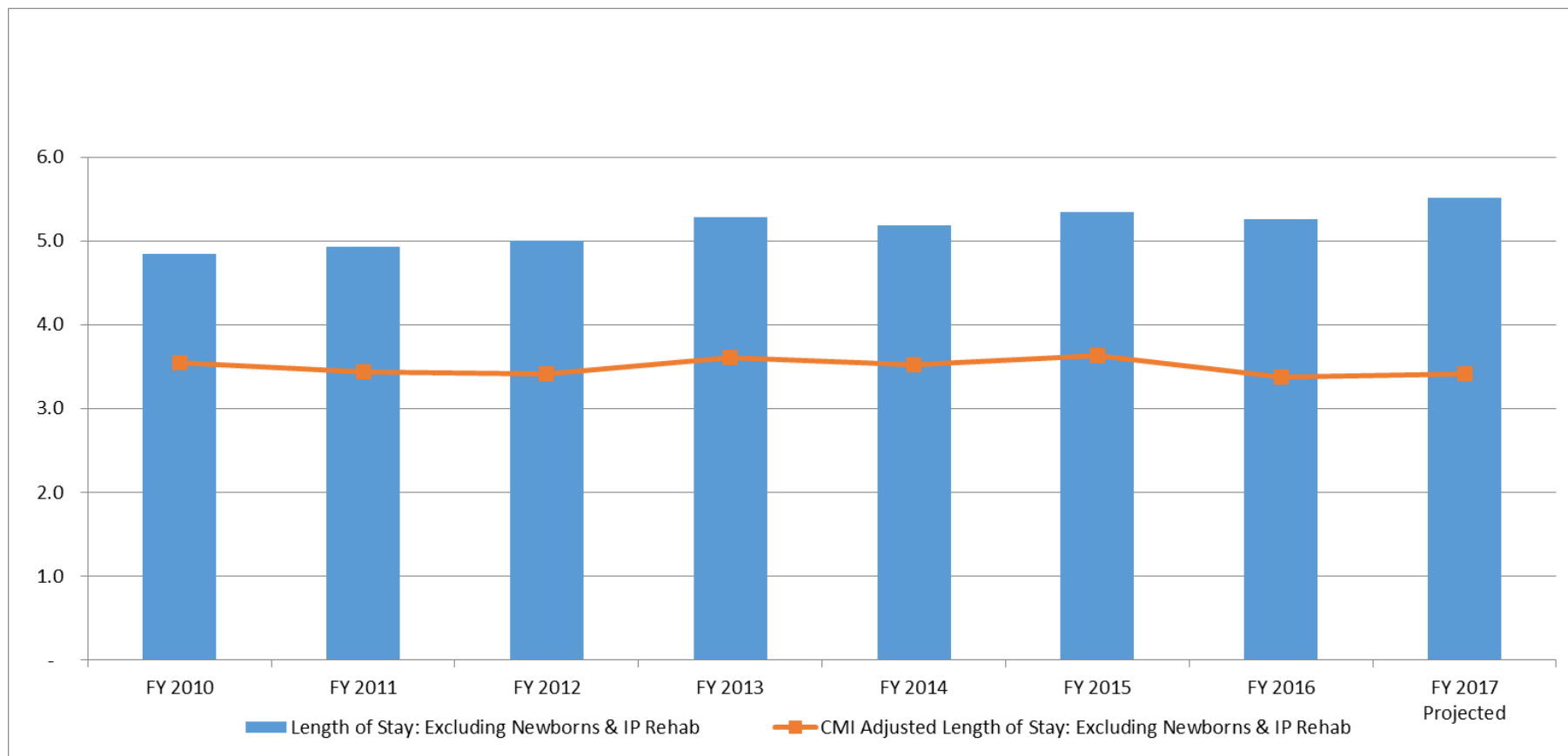
Percentage of Observation Patients to Total Patients



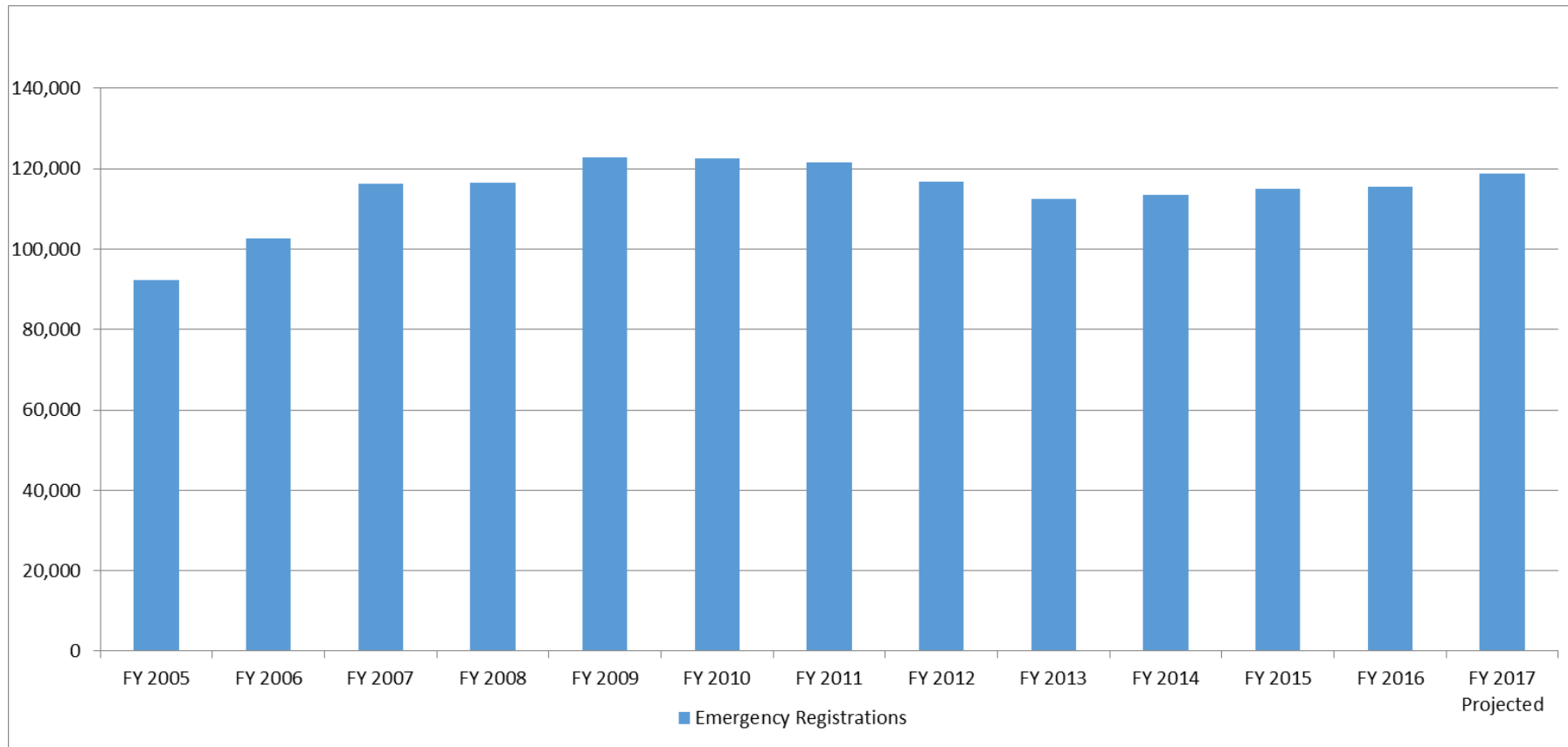
Halifax Health Medical Center Discharged Based Length of Stay Excluding Newborns & IP Rehab



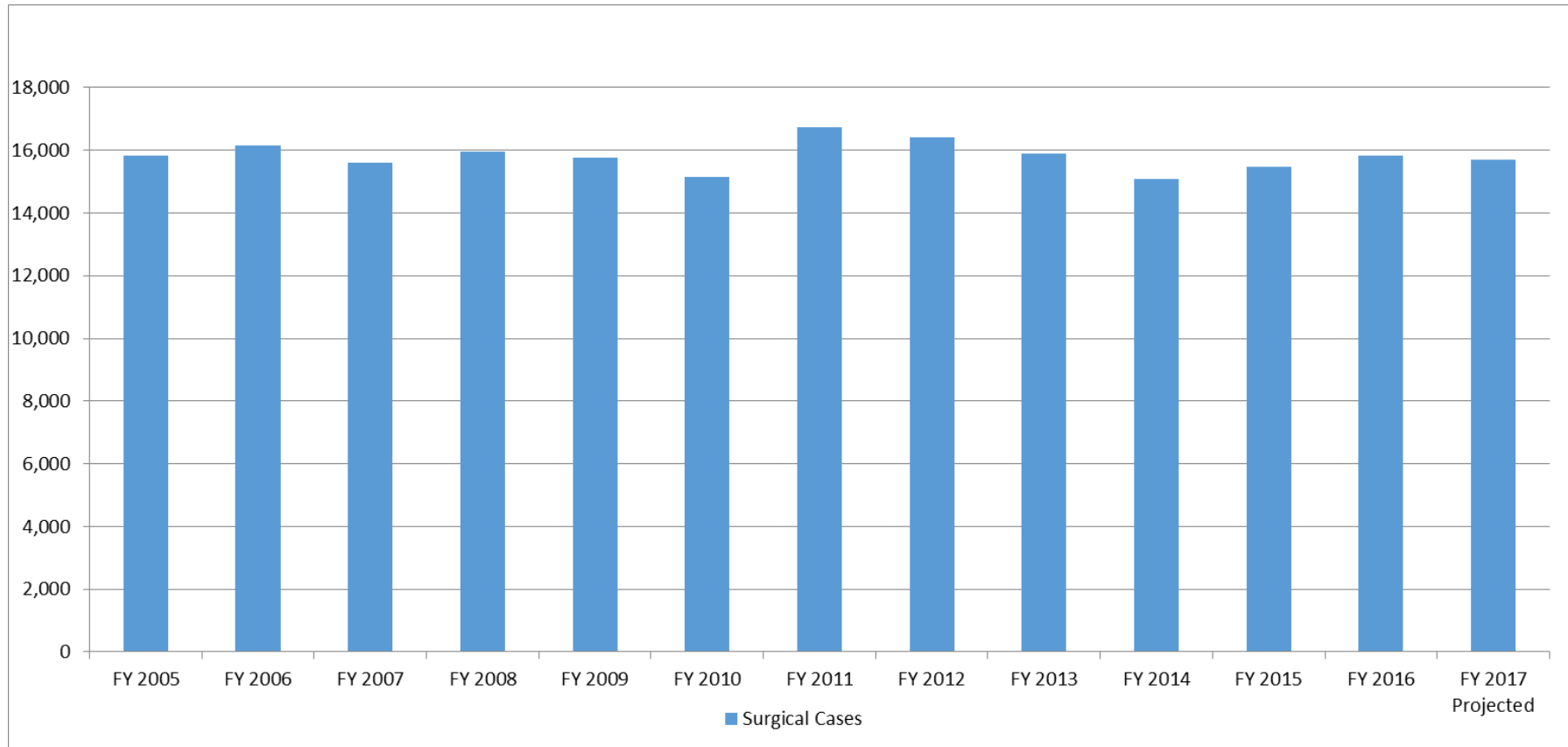
Halifax Health Medical Center Discharged Based Length of Stay Case Mix Adjusted Excluding Newborns & IP Rehab



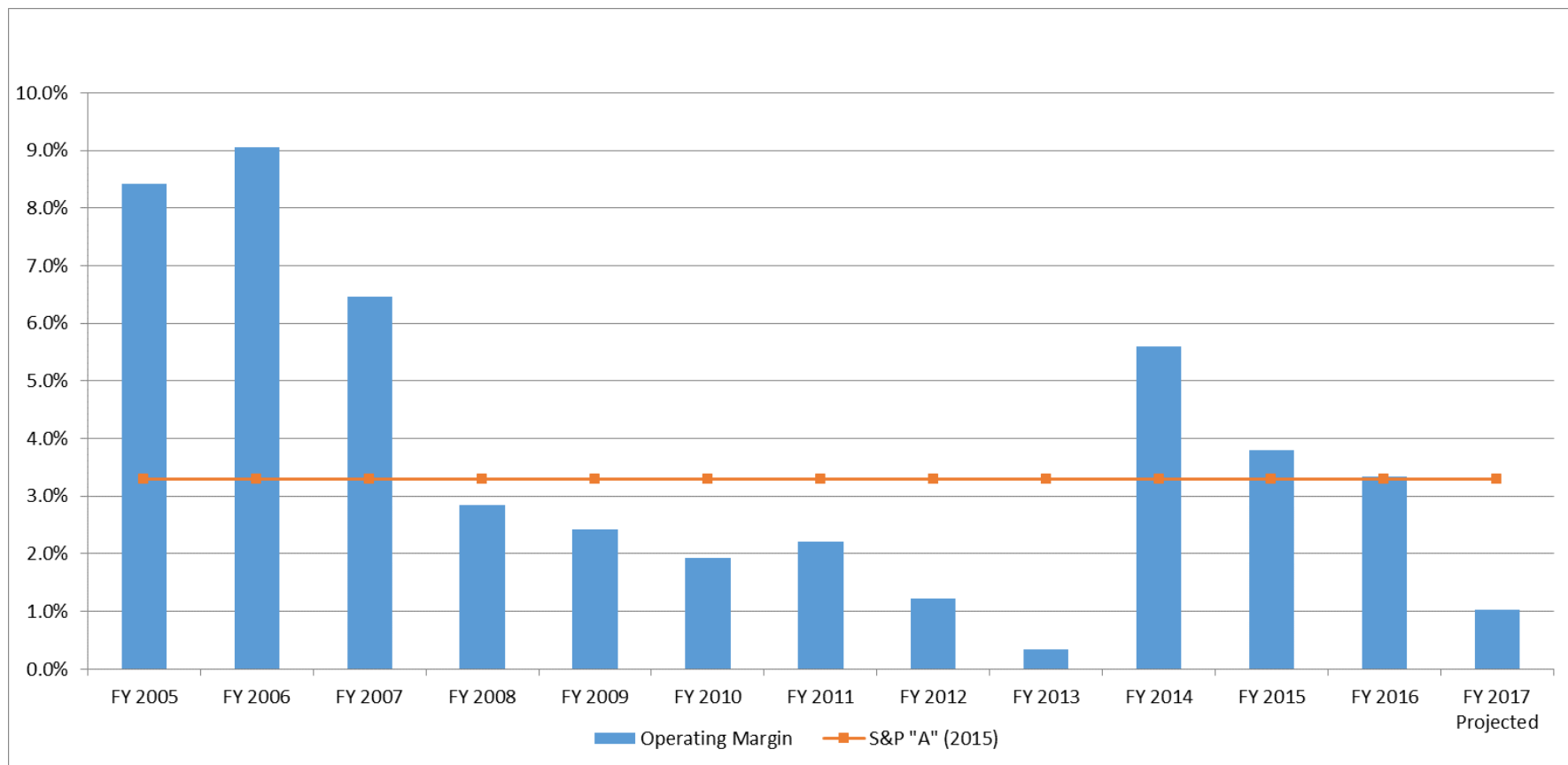
Halifax Health Medical Center Emergency Registrations



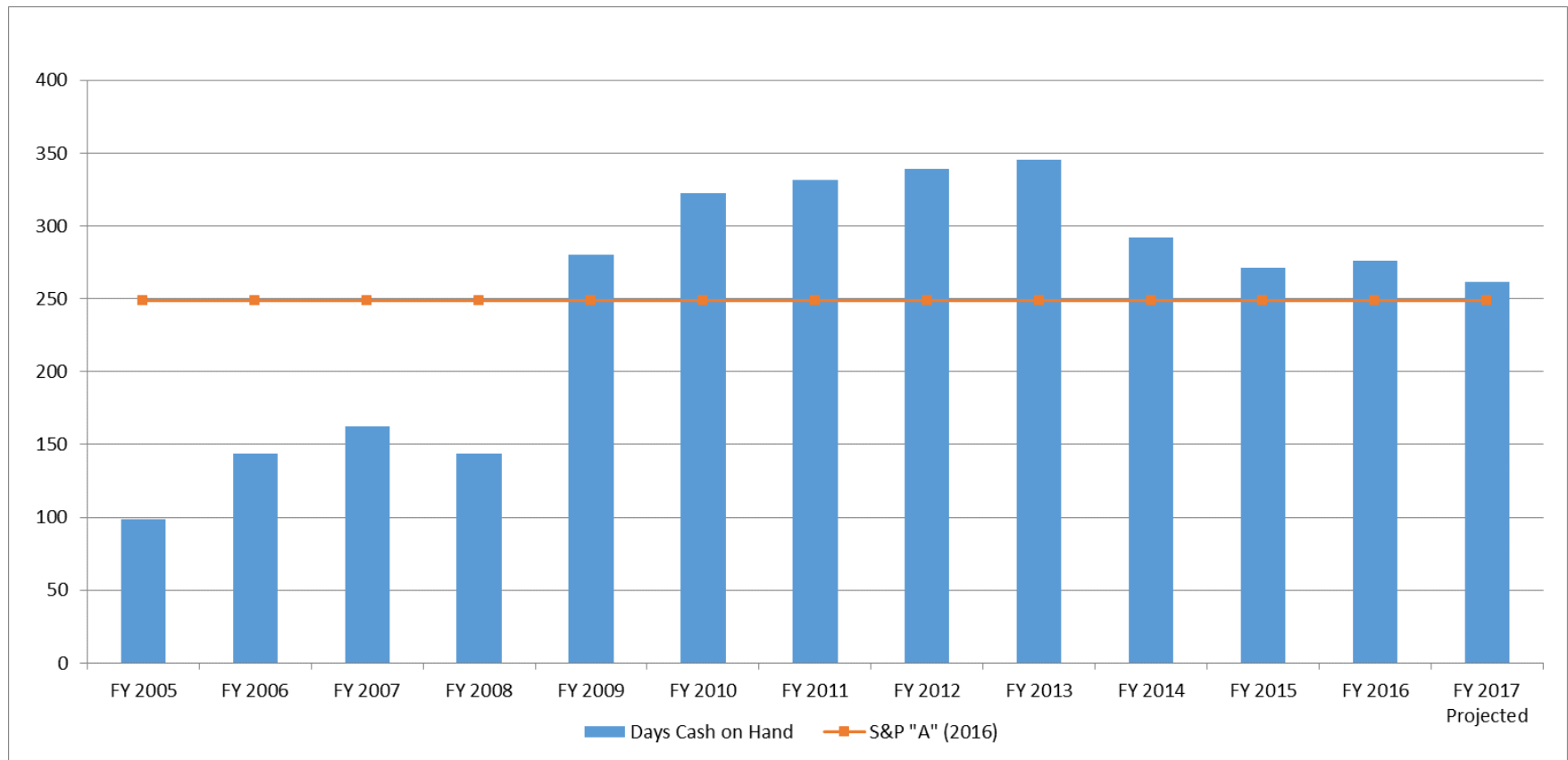
Halifax Health Medical Center Surgical Cases



Halifax Health Operating Margin



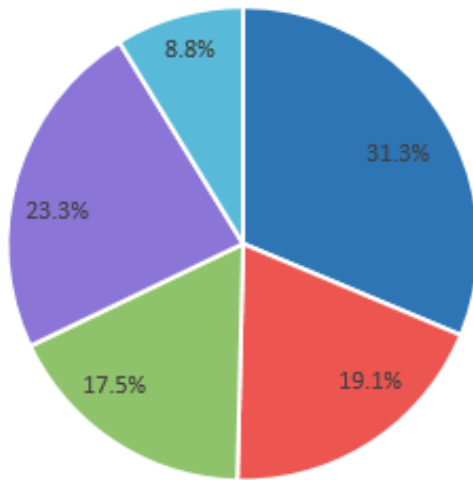
Halifax Health Days Cash on Hand



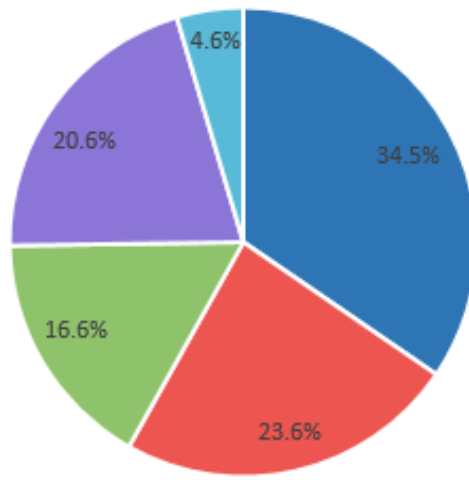
Payor Mix

(based on cases/visits)

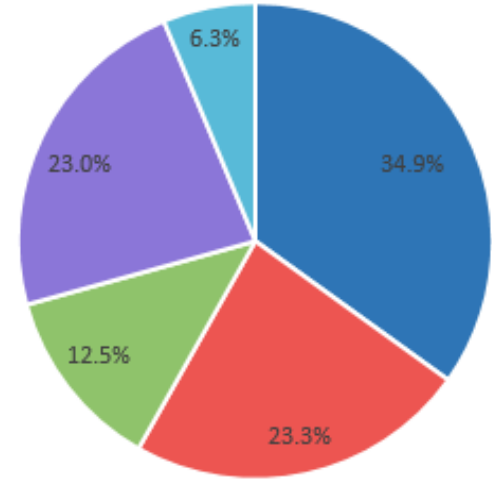
FY 2006



FY 2011



FY 2016



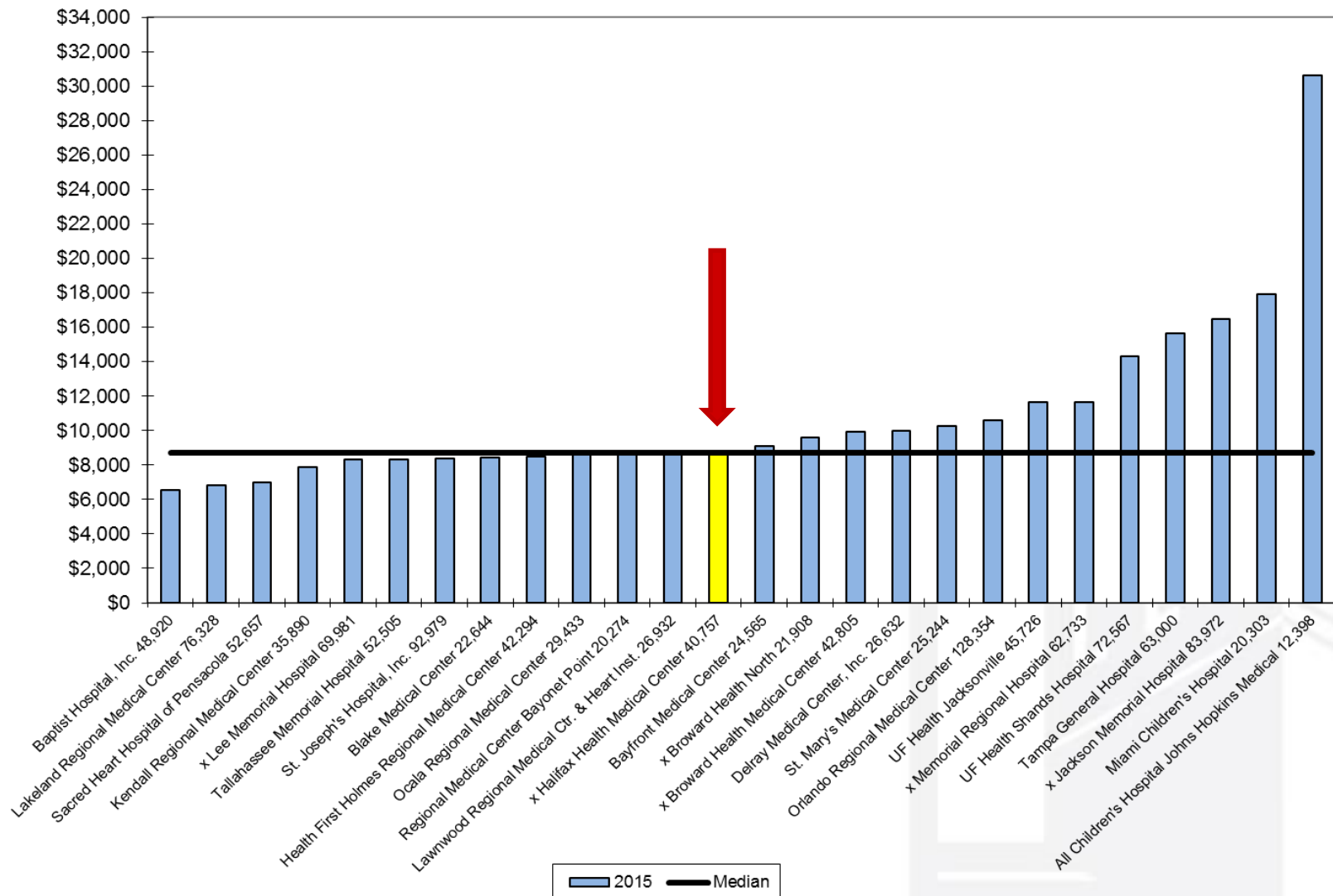
■ Medicare ■ Medicaid ■ Uninsured ■ HMO/PPO/Commerical ■ Other

Benchmark Comparisons

Florida Hospitals with Trauma Centers

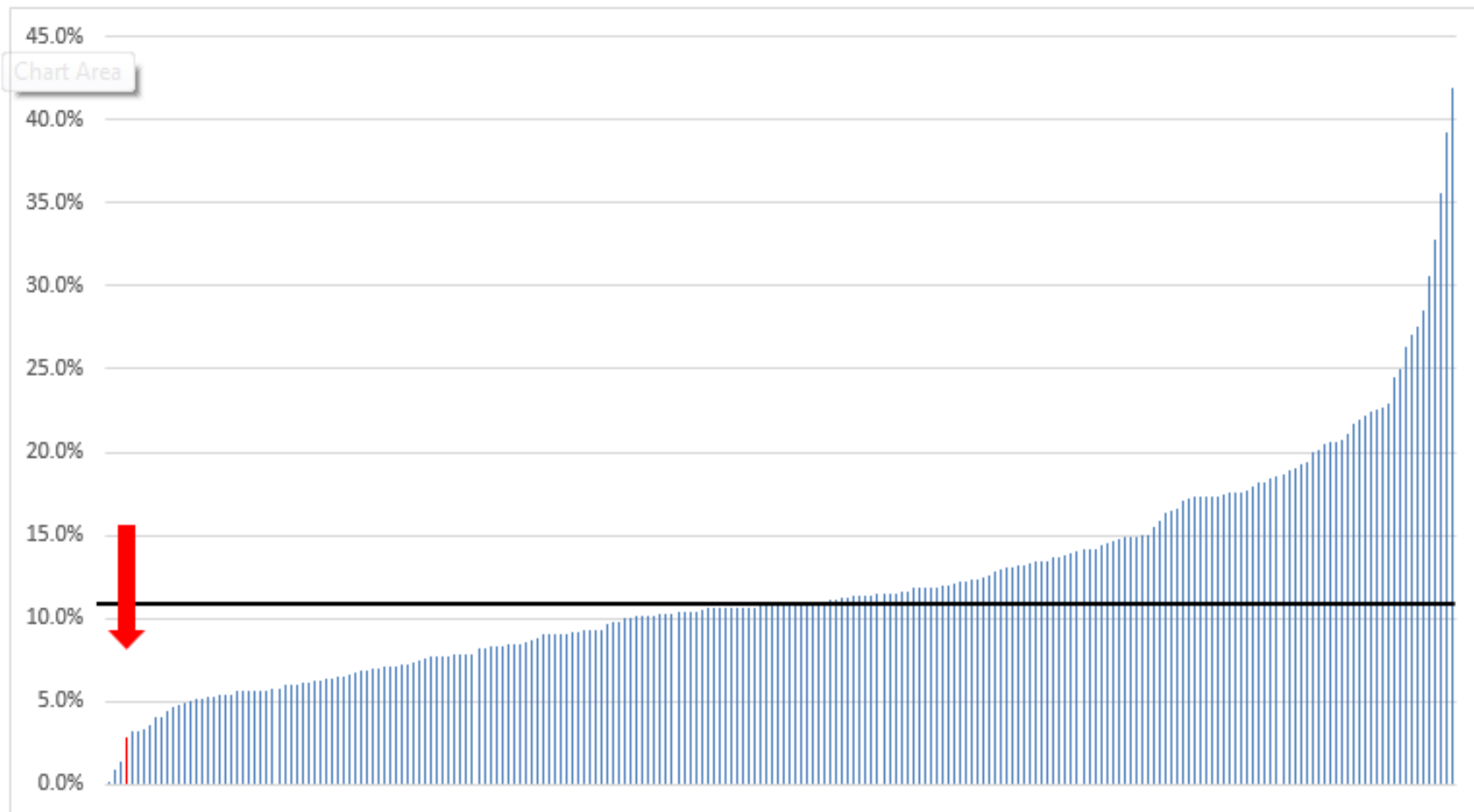
Total operating expense per adjusted admission

FY 2015

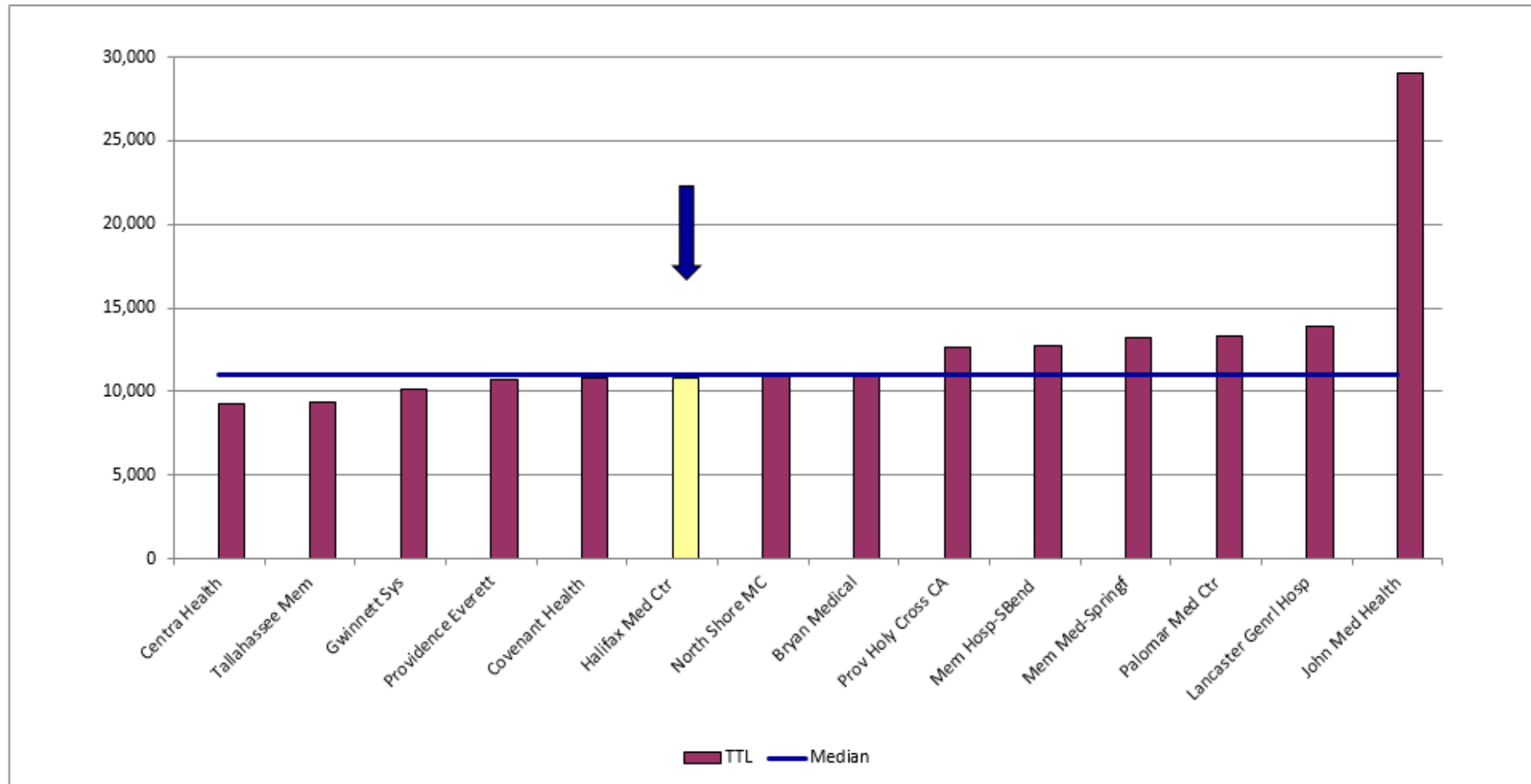


Florida Acute Care Hospitals

Total hospital administration expense as percentage of total expense FY 2015



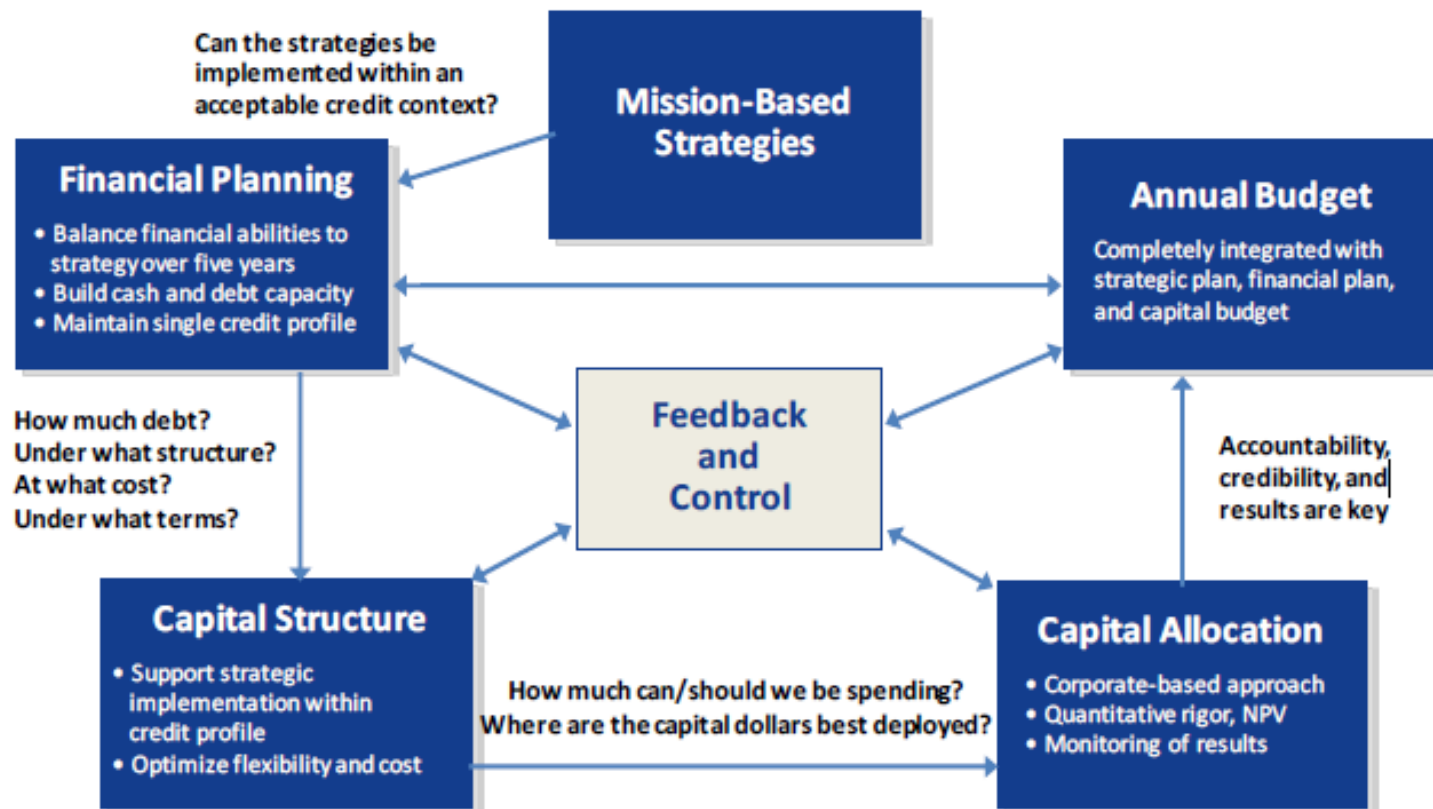
Vizient Hospitals FY 2016 Total Expense per Adjusted Admission



Preliminary FY 2018 Operating Budget



Strategic Financial Plan



Budget Premise and Policy

Premise:

- Generating fiscally sound policy while maintaining quality patient care is our commitment to the future of Halifax Health and the community we serve.

Policy:

- To maintain employee salaries and benefits at competitive levels and allocate financial resources consistent with the standards, guidelines and parameters of nursing care required for patients
- To replace and enhance existing facilities and equipment with new and expanded services and technologies
- To develop a financial operation that is sufficiently flexible to react to the anticipated changes in the healthcare environment
- To sustain the Cornerstone initiative for our patients, our employees and our community

FY 2018 Budget

Key Factors in Setting Budget

- Achieve positive cash flow after capital and pension funding
- Target 3% operating margin at the System with long term goal of S&P A-rated margin for both the system and hospital
- Continue critical community services and benefits
- Continue pension plan funding model based on actuarial experience – FY 2018 is year 5 of 10 year funding target
- Prioritize capital spending including physician collaboration

FY 2018 Budget

Major Changes and Challenges

- No Medicaid Expansion - **\$13 million**
- Reduction of Gross Ad Valorem Taxes - **\$5.2 million**
- Reduction of Medicaid payments - **\$2.8 million**
- Continuation of Unfunded and Underfunded programs
- Continued Market Competition

FY 2018 Budget

Medicare Assumptions

- Proposed rates adjustments
 - CMS guidance indicates a \$1.1m increase for Inpatient, \$553k increase for Outpatient and \$207k decrease Inpatient Rehab
- Medicare DSH payments
 - Increase of \$2.0m based upon CMS's proposed rule
- Sequestration
 - Annual reduction will continue through FY 2025
 - Annual reimbursement reduction of 2% which is equivalent to \$3.5m including both the Medical Center and Hospice
- Other potential items not included
 - 340B drug decreases
 - Inpatient to Outpatient procedure shifts

FY 2018 Budget Medicaid Assumptions

- Reduction of \$2.8 million in payment rates and special payments
 - \$8.3M increase in Low Income Pool (LIP)
 - \$11.1M decrease due to rate cuts, decrease in DSH and Enhanced Ambulatory Patient Groups (EAPG) impacts
- Assuming no impact of Medicaid expansion in FY 2018
- LIP and DSH funding have not been finalized

Halifax Health
Statement of Revenues, Expenses and Changes in Net Position
FY 2018 Budgeted and FY 2017 Projected
(\$ in thousands)

	COL A	+ COL B	= COL C	+ COL D	+ COL E	= COL F
	FY 2017 Actual & Projected	Δ from FY 2017 Actual/Projected	Initial Budget	Margin Improvements	New Programs	Management Proposed Budget
Operating revenues:						
Net patient service revenue	\$510,528	\$7,944	\$518,472	\$7,547	\$5,273	\$531,291
Ad valorem tax revenue	11,252	(5,204)	6,048	\$0	-	6,048
Other revenue	26,902	(2,232)	24,670	\$1,202	-	25,872
Total operating revenues	548,682	508	549,190	8,749	5,273	563,211
Operating expenses:						
Salaries and Benefits	280,754	8,602	289,356	(3,033)	2,547	288,870
Purchased Services	77,557	(4,772)	72,786	(748)	2,344	74,382
Supplies	100,475	(1,472)	99,003	(1,852)	773	97,924
Depreciation and Amortization	23,815	177	23,991	-	89	24,081
Interest Expense	16,863	(166)	16,697	-	-	16,697
Ad valorem tax related expenses	7,479	(467)	7,012	(636)	-	6,376
Lease/Rentals	9,295	334	9,629	-	34	9,663
Other	26,818	1,435	28,252	-	68	28,320
Total operating expenses	543,056	3,671	546,727	(6,269)	5,857	546,315
Income (loss) from operations	5,625	(3,163)	2,463	15,018	(584)	16,896
Nonoperating revenues, expenses, and gains/(losses)						
Investment income	7,379	(3,012)	4,367	-	-	4,367
Donation revenue	1,082	(389)	692	-	-	692
Interest - bond issue costs	-	-	-	-	-	-
Nonoperating gains (losses), net	23	(23)	-	-	-	-
Total Nonoperating revenues, expenses, and gains/(losses)	8,484	(3,425)	5,060	-	-	5,060
Increase/(decrease) in net position	\$14,110	(\$6,587)	\$7,523	\$15,018	(\$584)	\$21,956
Operating Margin	1.0%					3.0%

Halifax Health
Statement of Revenues, Expenses and Changes in Net Position
FY 2018 Budget
(\$ in thousands)

	Medical Center	Hospice	Foundation	Care At Home	VHN & HMS	Total Combined
Operating revenues:						
Net patient service revenue	\$484,912	\$43,506	\$0	\$2,874	\$0	\$531,291
Ad valorem tax revenue	6,048	-	-	-	-	6,048
Other revenue	16,736	2,388	2,528	-	4,219	25,872
Total operating revenues	507,696	45,894	2,528	2,874	4,219	563,211
Operating expenses:						
Salaries and Benefits	261,917	24,007	125	2,109	713	288,870
Purchased Services	60,756	12,640	45	478	464	74,382
Supplies	94,832	3,030	-	54	9	97,924
Depreciation and Amortization	22,570	712	-	-	799	24,081
Interest Expense	16,668	-	-	-	29	16,697
Ad valorem tax related expenses	6,376	-	-	-	-	6,376
Lease/Rentals	7,570	2,003	-	29	61	9,663
Other	25,323	2,025	806	119	48	28,320
Total operating expenses	496,010	44,417	976	2,788	2,124	546,315
Income from operations	11,686	1,477	1,552	86	2,095	16,896
Nonoperating revenues, expenses, and gains/(losses)						
Investment income	2,143	2,224	-	-	-	4,367
Donation revenue	-	692	-	-	-	692
Nonoperating gains (losses), net	-	-	-	-	-	-
Total Nonoperating revenues, expenses, and gains/(losses)	2,143	2,916	-	-	-	5,060
Increase in net position	\$13,829	\$4,393	\$1,552	\$86	\$2,095	\$21,956
Operating Margin	2.30%	3.22%	61.40%	3.00%	49.66%	3.00%

Halifax Health
Projected Condensed Statement of Net Position
(\$ in thousands)

	September 30,		
	2018	2017	Change
<u>Assets</u>			
Cash and cash equivalents	\$37,795	\$37,795	\$0
Investments	267,908	267,908	-
Board designated assets	67,476	65,176	2,300
Accounts receivable	63,500	63,000	500
Restricted assets whose use is limited	72,671	5,671	67,000
Other assets	39,467	39,467	-
Deferred outflow - swap	30,898	30,898	-
Deferred outflow - loss on bond refunding	15,531	16,455	(924)
Deferred outflow - pension	26,272	29,392	(3,120)
Property, plant and equipment	394,867	355,802	39,065
Total Assets	\$1,016,385	\$911,564	\$104,821
<u>Liabilities and Net position</u>			
Accounts payable	\$34,000	\$35,000	(\$1,000)
Other liabilities	75,402	75,402	-
Net pension liability	93,207	106,856	(13,649)
Long-term debt	445,658	347,472	98,186
Discount/Premium on LTD, net	18,589	19,261	(672)
Long-term value of swap	30,898	30,898	-
Net position	318,631	296,675	21,956
Total Liabilities and Net position	\$1,016,385	\$911,564	\$104,821

**Halifax Health
FY 2018 Budget
Cash Flow Statement**

	FY 2018 Budget
Sources of Cash:	
Excess of Revenues over Expenses from Operations	\$16,896
Net Nonoperating Income, Excluding Investment Income	692
Items Not Affecting Working Capital:	
Depreciation	24,081
GASB 68 pension expense	5,578
HMS Bond Proceeds	105,000
Total Sources of Cash	152,248
Uses of Cash:	
Change in Working Capital, Excluding Current portion of debt	(3,857)
Additions to Property, Plant & Equipment:	
Carryover from FY 2017 approved projects and prior	16,837
Deltona Inpatient hospital	38,000
FY 2018 Routine capital (50% of \$20M)	10,000
	64,837
Transfer to trustee held funds	67,000
Pension Funding	19,585
Long Term Debt Principal Repayments	6,750
Total Uses of Cash	154,315
Cash Used Prior to Investment Income	(2,067)
Cash Provided from Investment Income	4,367
Cash Provided	2,301
Cash Balance, beginning of period	370,879
Cash and Unrestricted Investments, end of period	\$373,179

Halifax Health

Financial Ratio Calculations

	Budget	Actual/Projected	S&P
	FY 2018	FY 2017	A-rated
Total Margin	3.9%	2.5%	5.8%
Operating Margin	3.0%	1.0%	3.6%
EBIDA Margin	11.0%	9.8%	13.1%
Days Cash on Hand	260.8	260.7	249.0
Unrestricted Cash to Debt	80.4%	101.1%	189.9%
Long-term Debt to Capitalization	59.3%	55.3%	29.1%
MADS coverage ratio	2.31	2.67	4.50
Obligated Group MADS coverage ratio	2.58	2.09	4.50

Ad Valorem Tax Schedules

Halifax Hospital Medical Center
Schedule of Tax Bases, Tax Levies, and Millage Rates
FY 2006 - 2018
(\$ in thousands)

	Actual												Initial Budget
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018 *
Tax Base (DR 420)	\$15,227,582	\$19,152,904	\$20,292,636	\$18,481,578	\$15,359,834	\$13,403,649	\$12,487,804	\$12,207,295	\$12,431,762	\$13,149,276	\$13,876,457	\$14,854,990	\$15,996,279
Gross Tax Levy	\$45,682	\$52,735	\$50,732	\$41,584	\$34,560	\$26,807	\$21,854	\$15,259	\$12,432	\$13,149	\$13,252	\$11,232	\$6,048
Millage Rate	3.000	2.750	2.500	2.250	2.250	2.000	1.750	1.250	1.000	1.000	0.9550	0.7561	0.3781

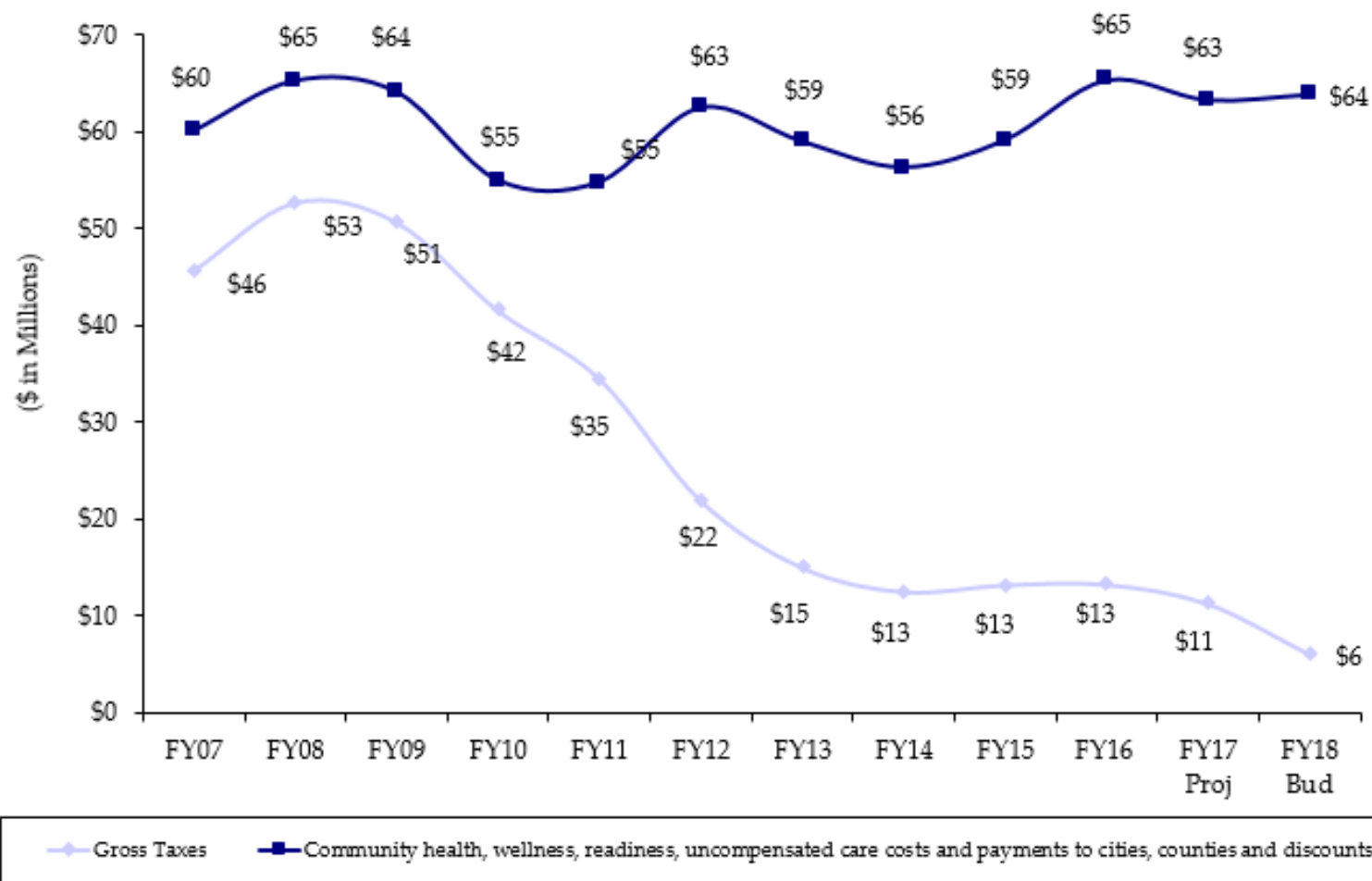
* FY 2018 Millage rate is estimated based on the information provided from the preliminary tax value.

**Halifax Hospital Medical Center
Schedule of Uses of Property Taxes
FY 2018 Preliminary Budget ***

	FY 2017 Actual/Projected 0.7561 Mill	FY 2018 Budget 0.3781 Mill
Gross property tax levy	\$11,251,944	\$6,048,193
Tax discounts and uncollectible taxes	(350,508)	(188,000)
Net property taxes collected	10,901,436	5,860,193
Amounts paid to Volusia County and Cities:		
Tax collector and appraiser commissions	(374,316)	(201,000)
Volusia County Medicaid matching assessment	(2,907,758)	(3,000,000)
Redevelopment taxes paid to Cities	(601,270)	(360,000)
Subtotal	(3,883,344)	(3,561,000)
Net taxes available for community health, wellness and readiness	7,018,092	2,299,193
Amounts paid for community health and wellness services:		
Preventive health services (clinics, Healthy Kids, etc.)	(1,333,040)	(800,000)
Physician services	(9,565,065)	(9,600,000)
Trauma services	(5,566,720)	(5,600,000)
Pediatric and neonatal intensive care services	(735,672)	(750,000)
Child and adolescent behavioral services	(297,977)	(350,000)
Subtotal	(17,498,474)	(17,100,000)
Deficiency of net taxes available to fund hospital operating expenses	(10,480,382)	(14,800,807)
Uncompensated care provided by Halifax Health, <i>at cost</i>	(41,572,340)	(43,027,000)
Total deficiency of net taxes available to fund hospital operating expenses and uncompensated care provided by Halifax Health, at cost	(\$52,052,722)	(\$57,827,807)

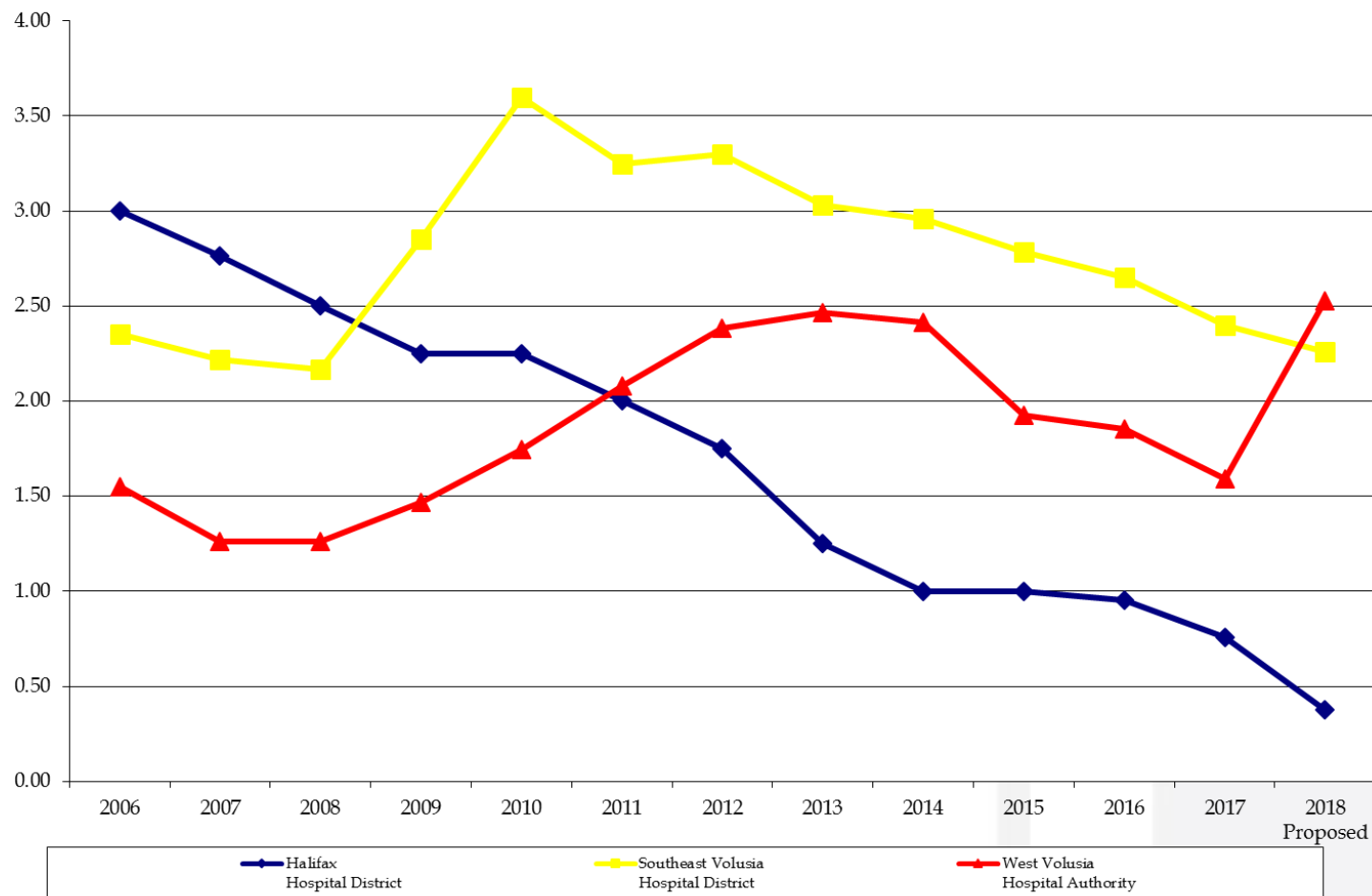
* FY 2018 Millage rate is based on the information provided from the preliminary tax value.

Halifax Health Medical Center
Uses of Tax Dollars FY07 - FY18
FY18 Preliminary Budget @ 0.3781 Mill



Subsidy

Volusia County Hospital Taxing Districts FY 2006 – FY 2018 Proposed Tax Millage



Halifax Health Medical Center
Impact of Millage Rate
Non-Homesteaded Homeowner or Commercial/Investment Property
FY 2018 Preliminary Budget ¹

	<u>Prior Year</u>	<u>FY 2018 Budget</u>	<u>Percent Change</u>
Millage rate, per 1,000	0.7561	0.3781	-50.0%
Property value ²	\$175,000	\$188,445	7.7%
Exemptions	\$0	\$0	0.0%
Property taxes	\$132	\$71	-46.2%
Tax Levy impact to homeowner		(\$61)	

¹ FY 2018 Millage rate is estimated based on the information provided from the preliminary tax value.

² FY 2018 Property Value increased 7.68% based on the average increase within the Halifax Taxing District excluding new construction.

**Halifax Health Medical Center
Impact of Millage Rate
Homesteaded Homeowner
FY 2018 Preliminary Budget ¹**

	<u>Prior Year</u>	<u>FY 2018 Budget</u>	<u>Percent Change</u>
Millage rate, per 1,000	0.7561	0.3781	-50.0%
Homestead Property value ²	\$175,000	\$178,675	2.1%
Exemptions	(\$50,000)	(\$50,000)	0.0%
Property taxes	\$95	\$49	-48.5%
Tax Levy impact to homeowner		(\$46)	

¹ FY 2018 Millage rate is estimated based on the information provided from the preliminary tax value.

² FY 2018 Property Value (Assessed value) increased 1.021% due to the Consumer Price Index being lower than the Save Our Homes max cap of 3%.

Halifax Health

Updated Plan based on actual property valuations

3 Year Forecast to Eliminate Gross Property Taxes

	FY 2016	FY 2017	FY 2018	FY 2019
Actual / Proposed - Millage Rate	0.9550	0.7561	0.3781	-
Original Plan - Millage Rate	0.9550	0.7907	0.3838	-

Appendix



Halifax Health Utilization Statistics

	FY 2018 Budget	FY 2017 Projected
<u>INPATIENT ACTIVITY</u>		
HMC Adult & Peds Admissions	19,467	18,810
HHPO Adult & Peds Admissions	1,738	1,725
Adult Psych Admissions	1,779	1,761
HHIR Admissions	720	719
Total Adult & Peds Admissions	23,704	23,015
 HMC Patient Days	 95,103	 100,194
HHPO Patient Days	6,342	8,342
Adult Psych Patient Days	17,418	17,417
HHIR Patient Days	10,502	10,502
Total Patient Days	129,365	136,455
 HMC Average Daily Census	 260	 274
HHPO Average Daily Census	17	23
Adult Psych Average Daily Census	48	48
HHIR Average Daily Census	29	29
Total Average Daily Census	353	373
 <u>Admission Based LOS</u>		
HMC/HHPO Average Length of Stay	4.8	5.3
Adult Psych Average Length of Stay	9.8	9.9
HHIR Average Length of Stay	14.6	14.6
Total Average Length of Stay	5.5	5.9
 Total Obs Patient Average Daily Census	 25	 25
 Newborn Births	 1,880	 1,880

Halifax Health Utilization Statistics

	<u>FY 2018 Budget</u>	<u>FY 2017 Projected</u>
<u>OUTPATIENT ACTIVITY</u>		
HMC Emergency Dept. Registrations	81,456	81,267
HHPO Emergency Dept. Registrations	31,214	31,175
Deltona Emergency Dept. Registrations	16,795	6,300
Total ED Registrations	129,465	118,742
 Total Oncology Visits	 57,426	 55,192
<u>SURGICAL ACTIVITY</u>		
HMC Inpatient Surgeries	5,385	5,337
HHPO Inpatient Surgeries	37	38
Total Inpatient Surgeries	5,422	5,375
 HMC Outpatient Surgeries	4,642	5,025
HPC Outpatient Surgeries	-	865
HHPO Outpatient Surgeries	1,298	127
Twin Lakes Outpatient Surgeries	3,704	4,310
Total Outpatient Surgeries	9,644	10,327
 Total Surgeries	 15,066	 15,702
<u>Halifax Health Hospice</u>		
Average Daily Census	550	541

Halifax Health
Column B of Statement of Revenues, Expenses and Changes in Net Position
FY 2018 Initial Budget Changes from FY 2017 Actual/Projected
(\$ in Thousands)

Revenue	Change from FY 2017 Actual/Projected	Comments
<u>Net Revenue</u>		
Contract improvements from commercial payors	\$2,000	
Medicare Inpatient and Outpatient increases	1,446	
Medicare DSH	1,900	
Medicaid LIP and rates	(2,800)	
Incremental revenue from new programs in FY 2017 - Full year impact	4,500	Deltona, Urgent Care, Primary Care New Smyrna
Other increases	898	
Total	\$7,944	
<u>Ad valorem tax revenue</u>		
Tax Revenue (Assuming 0.3781 mill)	(\$5,204)	
Total	(\$5,204)	
<u>Other Revenue</u>		
Foundation Investment Income/Donation revenue	(\$2,050)	Budgeting 3.5% rate of return
Other	(182)	
Total	(\$2,232)	

Halifax Health

Column B of Statement of Revenues, Expenses and Changes in Net Position

FY 2018 Initial Budget Changes from FY 2017 Actual/Projected

(\$ in Thousands)

Expenses	Change from FY 2017 Actual/Projected	Comments
<u>Salary and Benefits</u>		
FY 2018 Merit Increase	\$2,000	
FY 2017 Market Increase - Full year impact	1,000	
FY 2018 Market Adjustment	1,500	
Increased costs for health insurance	1,000	
Incremental salary from new programs in FY 2017 - Full year impact	3,000	Deltona, Urgent Care, Primary Care New Smyrna
Other salary and benefit increases	102	
Total	\$8,602	
<u>Purchased Services</u>		
Reduction of contract labor - clinical staffing	(\$2,500)	
Reduction of contract labor - physician staffing	(1,500)	
Other Purchase services reductions	(772)	
Total	(\$4,772)	
<u>Supplies Expense</u>		
Medical supply expense inflation	\$2,000	Assuming 3.5% rate increase
Drugs expense inflation	1,000	Assuming 5% average rate increase
Drug expense related to blood clotting patients	(2,000)	
Medical supply expense related to reduction of orthopedic volume	(2,300)	
Other supply expense reductions	(172)	
Total	(\$1,472)	

Halifax Health

Column B of Statement of Revenues, Expenses and Changes in Net Position

FY 2018 Initial Budget Changes from FY 2017 Actual/Projected

(\$ in Thousands)

Expenses	Change from FY 2017 Actual/Projected	Comments
<u>Depreciation and Amortization Expense</u>		
Existing Assets becoming fully depreciated	(\$1,823)	
Depreciation from planned FY17 & FY18 additions	2,000	
Total	\$177	
<u>Ad valorem tax related</u>		
Medicaid Match	\$92	
Other Tax related expenses related to millage reduction	(559)	
Total	(\$467)	
<u>Lease/rentals</u>		
Incremental lease from new programs in FY 2017 - Full year impact	\$585	
Reduction of leased patient beds	(190)	
Other misc reductions	(61)	
Total	\$334	
<u>Other</u>		
Insurance - Workers Comp (historical average)	\$125	
Insurance - Malpractice (historical average)	175	
Utilities	402	
Incremental other from new programs in FY 2017 - Full year impact	346	
Physician recruitment	127	
Other direct expenses (non recurring)	260	
Total	\$1,435	

Halifax Health
Column D of Statement of Revenues, Expenses and Changes in Net Position
Margin Improvements for FY 2018
(\$ in Thousands)

	Revenues			Expenses						Income (loss) from program
	Patient service revenue	Other revenue	Total	Labor	Supplies	Purchased services	Leases	Other	Total	
1 LOS Reduction of 10,000 days	\$0	\$0	\$0	(\$2,066)	(\$1,008)	\$0	\$0	\$0	(\$3,074)	\$3,074
2 Transition of Adult Community Clinic to FQHC	-	-	-	-	-	-	-	(518)	(518)	518
3 Additional Inpatient market share from West Volusia	4,598	-	4,598	2,250	1,125	375	-	-	3,749	849
4 Not replacing non clinical open positions	-	-	-	(1,261)	-	-	-	-	(1,261)	1,261
5 Additional market share in Vascular and Cardiology	1,294	-	1,294	108	953	-	-	-	1,060	234
6 Additional market share capture in south east volusia	515	-	515	185	79	-	-	-	265	250
7 Reduction of Ortho Trauma supply costs	-	-	-	-	(500)	-	-	-	(500)	500
8 Walgreens contract pharmacy project	-	200	200	-	-	-	-	-	-	200
9 Parrish Medical Center - Medical Directorship /Physician coverage	-	227	227	-	-	-	-	-	-	227
10 Department margin improvement plans	1,139	775	1,914	(2,249)	(2,500)	(1,123)	-	(118)	(5,990)	7,904
Total Margin Improvments	\$7,547	\$1,202	\$8,749	(\$3,033)	(\$1,852)	(\$748)	\$0	(\$636)	(\$6,269)	\$15,018

Halifax Health
Column E of Statement of Revenues, Expenses and Changes in Net Position
New Programs for FY 2018
(\$ in Thousands)

	Revenues			Expenses							Income (loss) from program
	Patient service revenue	Other revenue	Total	Labor	Supplies	Purchased services	Depreciation	Leases	Other	Total	
1 Pulmonary Function Testing	\$82	\$0	\$82	\$0	\$54	\$0	\$0	\$0	\$0	\$54	\$28
2 GI Ultrasound	206	-	206	39	56	-	-	-	8	103	103
3 Neuro Power Supplies	-	-	-	-	(13)	-	-	-	-	(13)	13
4 Intrabeam Radiation	179	-	179	38	7	-	-	-	-	45	134
5 IMC Bed rentals	-	-	-	-	-	-	-	(53)	-	(53)	53
6 CBORD Room Service Software	-	-	-	(38)	-	9	-	-	-	(29)	29
7 Plasma Phoresis	-	-	-	8	75	(292)	-	-	-	(209)	209
8 Minimally Invasive Valve Replacement/Video System	210	-	210	80	53	-	-	-	-	133	77
9 NICO System Surgery	353	-	353	-	276	-	-	-	-	276	77
10 Oncology Expansion	506	-	506	255	109	-	-	-	-	365	141
11 Bronchoscope Ultrasound	268	-	268	95	64	-	-	-	-	159	109
12 Meditech training (one time expense)	-	-	-	920	-	-	-	-	-	920	(920)
13 Athena physician EMR	1,300	-	1,300	-	(35)	1,713	-	-	-	1,678	(378)
14 SNF physician program	578	-	578	460	78	-	-	-	-	538	40
15 Orthopedic Trauma	367	-	367	690	44	5	7	33	32	811	(444)
16 Pediatric Rehab	1,225	-	1,225	-	6	910	82	54	28	1,080	145
Total New Programs	\$5,273	\$0	\$5,273	\$2,547	\$773	\$2,344	\$89	\$34	\$68	\$5,857	(\$584)

Halifax Health
Statement of Revenues, Expenses and Changes in Net Position
Financial Forecast
(\$ in thousands)

	Actual		Projected	Budget	Forecast			
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Operating revenues:								
Net patient service revenue	\$467,491	\$489,861	\$510,528	\$531,291	\$538,336	\$574,247	\$602,095	\$614,120
Ad valorem tax revenue	13,149	13,252	11,252	6,048	-	-	-	-
Other revenue	24,122	30,541	26,902	25,872	26,217	26,567	26,922	27,283
Total operating revenues	\$504,761	\$533,654	\$548,682	\$563,211	\$564,553	\$600,814	\$629,017	\$641,403
Operating expenses:								
Salaries and benefits	236,144	254,494	280,754	288,870	295,870	307,954	315,275	322,460
Purchased services	77,761	80,911	77,557	74,382	75,126	77,699	79,470	81,307
Supplies	87,998	93,347	100,475	97,924	101,352	108,301	115,241	119,306
Depreciation and amortization	23,677	24,951	23,815	24,081	24,314	31,120	31,358	26,598
Interest expense	18,102	17,199	16,863	16,697	16,647	20,035	19,976	19,914
Ad valorem tax related expenses	6,798	7,460	7,479	6,376	5,876	5,876	5,876	5,876
Lease/Rentals	9,560	9,142	9,295	9,663	9,759	12,066	12,164	12,263
Other	27,339	28,153	26,818	28,320	28,604	32,884	34,093	34,434
Total operating expenses	487,378	515,657	543,056	546,315	557,548	595,935	613,453	622,158
Income (loss) from operations	\$17,383	\$17,998	\$5,625	\$16,896	\$7,005	\$4,879	\$15,564	\$19,245
Nonoperating revenues, expenses, and gains/(losses)								
Investment income	2,871	12,313	7,379	4,367	4,600	4,600	4,600	4,600
Donation revenue	1,250	1,979	1,082	692	700	700	700	700
Interest expense - bond issue costs	(1,359)	(1,774)	-	-	-	-	-	-
Income from affiliates	-	-	-	-	-	-	-	-
Nonoperating gains (losses), net	(240)	(14)	23	-	-	-	-	-
Total Nonoperating revenues, expenses, and gains/(losses)	2,522	12,504	8,484	5,060	5,300	5,300	5,300	5,300
Increase (decrease) in net position before margin improvements	\$19,905	\$30,501	\$14,110	\$21,956	\$12,305	\$10,179	\$20,864	\$24,545
Additional Margin Improvements needed	-	-	-		9,932	1,260	3,297	-
Income (decrease) in net position	\$19,905	\$30,501	\$14,110	\$21,956	\$22,237	\$11,439	\$24,161	\$24,545

Note: FY 2020 Operating Margin target assumes 3% excluding Deltona. Assumes Deltona Inpatient facility opens in FY 2020