



**SVHCD JOINT FINANCE COMMITTEE-BOARD
BUDGET STUDY SESSION**

AGENDA

Tuesday, May 24, 2016

5:00 p.m.

Location: Basement Conference Room

Sonoma Valley Hospital, 347 Andrieux St., Sonoma CA 95476

AGENDA ITEM	RECOMMENDATION	
MISSION STATEMENT The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.		
1. CALL TO ORDER/ANNOUNCEMENTS	<i>Fogg</i>	
2. PUBLIC COMMENT SECTION At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Committee at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Committee consideration.	<i>Fogg</i>	
3. 2017 OPERATING BUDGET	<i>Jensen</i>	Inform/Action
4. ADJOURN	<i>Fogg</i>	

Sonoma Valley Hospital

Fiscal Year 2016/2017

Budget Proposal

The budget proposal was developed to assure the maintenance of existing services and programs at Sonoma Valley Hospital. When the budget was developed for Fiscal Year 2015/2016, 12 months of actual expenses and revenues through January 2015 were used as the base for developing the new budget. Year-to-date for the current year has held fairly close to the expectations of the FY 15/16 Budget. The FY 16/17 budget was developed using 12 month actual expenses and revenues through January 2016 just as was done for the prior year. The net result is a better confidence in the budget being proposed. In the last two years there has been a dramatic shift in the hospital's payer mix. The government programs, Medicare and MediCal, now make up around 75% of the gross revenue generated by the hospital. The EBIDA for FY 15/16 is expected to be between 4.0-4.5%. The new budget has an expected EBIDA of 3.4%.

In order to retain physicians in the hospital's service area and to provide office space for new physicians, the budget includes revenues and costs for two time-share locations. The net additional cost for the first year of operation is \$298,186. The new budget assumes \$865,000 in new net revenue for the new physicians that will occupy the time share space. The budget does not include the budget for a proposed 1206b clinic which will be presented later in the year. The 1206b clinic will absorb some of the vacant space in the time-share offices thus mitigating the additional loss.

Revenue:

- Volume was assumed to remain flat in the base budget and was subsequently adjusted to reflect additional physicians who have elected to establish a practice in Sonoma.
- A strategically applied price increase of 6% is planned to be effective July 1, 2016. A price survey of other area hospitals showed that SVH was in the 50th percentile for a number of procedures. The 6% strategic price increase will bring the hospital to approximately the 75th percentile.

Contractual Allowances:

- The deduction from revenues takes into account SVH's current payer mix.
- The budget accounts for AB 915 Supplemental Outpatient payments but does not include any Inter-governmental net payments.

Expenses:

- Salaries and Benefits**- The hospital continues to deal with pay parity with other Northern California healthcare providers. The budget assumes a 1.5% pool (3% annual) for salary adjustments. There is an additional \$300,000 parity pool in the budget. There is no decision at this point on how the total salary increase pool will be distributed.
- The PTO accrual balances will increase by 3% due to the salary increase.

-Other Expenses:

- In general, all other costs were increased from 0% to 3% depending upon the costing review.
- The budget also includes additional \$360,000 for physician services.

-Non-Operating Revenue and Expenses:

- The most significant change in this cost is attributable to the increased support required for PRIMA (the medical foundation) and the cost of the time-shares.

The net loss from operations prior to Restricted Contributions is (\$2,029,378), vs the base budget loss of (\$2,187,024).

After accounting for Restricted Contributions and GO Bond activity, the **EBIDA** for the FY 2016/2017 is \$1,919,016 vs \$1,888,298 projected for FY 2016 from the base budget.

Attachment A is the Statement of Revenue and Expense which includes the proposed budget compared to the twelve month base.

Attachment B is the Payer Mix used for the budget.

Attachment C identifies the significant changes in each account identifying the specific reasons.

Attachment D is the Summary of Sources and Uses of cash for the fiscal year.

Attachments E-1 and E-2 are budgets for the two time-share offices.

Attachment F is a schedule of current debt

Capital is not part of this request.

Sonoma Valley Health Care District
Statement of Revenue and Expenses

	Approved FY16 Budget	This Year Base Budget	Proposed FY17 Budget
Financial Results			
Gross Patient Revenue			
5	\$ 61,894,962	\$ 64,132,446	\$ 71,756,272
6	81,933,424	84,495,388	90,836,207
7	50,477,579	55,680,801	60,793,116
8	27,697,642	25,069,342	25,882,754
9	4,441,777	3,911,493	3,875,174
10	<u>\$ 226,445,384</u>	<u>\$ 233,289,470</u>	<u>\$ 253,143,523</u>
Deductions from Revenue			
11	\$ (177,199,423)	\$ (183,340,932)	\$ (198,312,431)
12	(1,071,760)	(795,000)	(795,000)
13	(255,182)	(431,620)	(431,620)
14	2,430,000	2,143,895	-
15	<u>\$ (176,096,365)</u>	<u>\$ (182,423,657)</u>	<u>\$ (199,539,051)</u>
16	\$ 50,349,019	\$ 50,865,813	\$ 53,604,472
17	\$ 3,175,372	\$ 2,497,719	\$ 1,869,247
18	<u>\$ 53,524,391</u>	<u>\$ 53,363,532</u>	<u>\$ 55,473,719</u>
19	\$ 173,482	\$ 137,697	\$ 292,202
20	<u>\$ 53,697,873</u>	<u>\$ 53,501,229</u>	<u>\$ 55,765,921</u>
Operating Expenses			
21	\$ 26,454,002	\$ 25,731,485	\$ 27,471,787
22	\$ 9,525,052	\$ 9,928,130	9,504,891
23	<u>\$ 35,979,054</u>	<u>\$ 35,659,615</u>	<u>\$ 36,976,678</u>
24	\$ 4,176,278	\$ 4,383,078	\$ 4,422,374
25	5,854,822	5,825,608	6,336,905
26	4,226,026	3,834,929	4,666,092
27	3,397,579	3,518,571	3,518,571
28	1,187,495	1,080,896	1,180,280
29	250,000	273,014	400,000
30	470,955	556,751	429,823
31	1,956,422	2,038,312	1,946,290
32	750,000	1,191,039	-
33	<u>\$ 58,248,631</u>	<u>\$ 58,361,813</u>	<u>\$ 59,877,013</u>
34	<u>\$ (4,550,758)</u>	<u>\$ (4,860,584)</u>	<u>\$ (4,111,092)</u>
Non Operating Rev and Expense			
35	\$ 163,886	\$ 202,927	\$ (274,286)
36	69,667	1,916	-
37	(468,000)	(461,500)	(644,000)
38	3,000,000	2,930,217	3,000,000
39	<u>\$ 2,765,553</u>	<u>\$ 2,673,560</u>	<u>\$ 2,081,714</u>
40	<u>\$ (1,785,205)</u>	<u>\$ (2,187,024)</u>	<u>\$ (2,029,378)</u>
41	\$ 422,194	\$ 777,413	\$ 248,372
42	\$ 750,000	\$ 749,687	\$ -
43	<u>\$ (613,011)</u>	<u>\$ (659,924)</u>	<u>\$ (1,781,006)</u>
44	2,913,329	3,689,915	2,962,904
45	(1,374,478)	(1,393,111)	(1,327,182)
46	<u>\$ 925,840</u>	<u>\$ 1,636,880</u>	<u>\$ (145,284)</u>
EBIDA	\$ 2,083,329 3.9%	\$ 1,888,298 3.5%	\$ 1,919,016 3.4%

Sonoma Valley Hospital Payer Mix - Budget FY 2017

	Base Budget	Budget FY 2017	Variance	% Variance
Medicare	110,708,875	119,328,993	8,620,118	7.2%
Medicare Managed Care	16,861,157	18,215,450	1,354,293	7.4%
Medi-Cal	11,826,286	13,030,111	1,203,825	9.2%
Medi-Cal Managed Care	32,008,475	35,036,388	3,027,913	8.6%
Self Pay	2,755,618	2,940,843	185,225	6.3%
Commercial	46,466,039	50,676,516	4,210,477	8.3%
Worker's Comp.	6,474,811	7,145,814	671,003	9.4%
Capitated	6,188,209	6,769,408	581,199	8.6%
Total	233,289,470	253,143,523	19,854,053	

	Base Budget	Budget FY 2017	Variance
Medicare	47.5%	47.1%	-0.3%
Medicare Managed Care	7.2%	7.2%	0.0%
Medi-Cal	5.1%	5.1%	0.1%
Medi-Cal Managed Care	13.7%	13.8%	0.1%
Self Pay	1.2%	1.2%	0.0%
Commercial	19.9%	20.0%	0.1%
Worker's Comp.	2.8%	2.8%	0.0%
Capitated	2.7%	2.7%	0.0%
	100.0%	100.0%	

Sonoma Valley Hospital
FY 2017 Budget

GL #	Dept.			Comments
A. Base Adjustments				
1		Revenue	1,100,000	
2		Salaries	(550,000)	
3		Parity	(300,000)	
4		Benefits	(493,000)	
5		Med and Prof Fees	(90,000)	\$90k increase on Prima (Non-Operating)
6		Supplies	(182,000)	
7		Purchase Services	(101,000)	
8		Depreciation	(106,000)	
9		Utilities	(24,000)	
10		Insurance	(76,000)	
11		Interest	205,000	Leases being completed
Total A			(617,000)	
B. Accepted Adjustments				
1	Over all	Eliminate Supply Increase	182,000	No built in increase
2	8770-0000 Foundation	Director's Pay	(25,000)	Increase in Foundation Directors pay
3	8670-9000 Auxiliary	Auxiliary Appreciation	(5,000)	Increase for the party for Auxilary
4	6170-2500 Med/Surg	Med/Surg Registry	(40,000)	Increase due to maternity leaves
5	7290-2500 Home Care	Home Care Registry	(30,000)	Increase
6	8610-8600 Admin	AHA Dues	10,000	Not renewing our membership
7	8620-8600 Board	ACHD Dues	20,000	Not renewing our membership
8	8650-6900 HR	Press Ganey	(10,000)	Increase in the Employee Survey
9	8440-6200 Env. Serv	Xenex Maintenance	(15,000)	Requesting for Foundation to cover
10	8400-8700 Purchasing	Outside Training in Materials	(2,715)	Conference and Training for Director and Buyer
11	8750-0000 Case Manag	1.0 FTE Case Management		Pending grant
12	8700-6900 Med. Rec	Elipse Medical Coding	(80,000)	Coding Service
13	8612-2200 Marketing	Travel for Director of Marketing	(8,000)	
14	6010-2500 ICU	ICU Registry	10,000	Reduction of registry
15	8620-6900 Board	2016 Election Costs	(20,000)	Board Elections
16	8620-2200 Board	Consultants for Parcel Tax	(30,000)	Consultants for Parcel Tax elections
17	8450-6200 Engineering	R&M increase	(48,700)	Maintenance Contracts that are needed
18	8450-6900 Engineering	Security	(67,000)	Security guard
19	7500-6900 Lab	Lab Couriers	(9,000)	
20	7630-6200 Radiology	GE Maintenance	(43,500)	Ultrasound yearly maintenance contract
21	7670-8300 Ultra sound	License for Ultra Sounds	(10,800)	
22	7680-2100 CT Scan	CT Registry	44,000	Reduction of registry
23	7450-2000 Anest.	ACM Increase	(180,000)	Anesthesiologist increase
24	7630-2000 Radiology	Radiologist	(180,000)	New contract for a radiologist
25	6170-2000 Med/Surg	Napa State Services	71,000	Decrease in Napa State patients
26	7011-2000 ED	ER Physicians	24,000	Decrease in ER payment
27	8615-2000 Prima	Prima Director	12,000	Decrease in Napa State patients
28	8615-2000 Prima	Prima Sponsorship	(46,000)	\$90k included in A above.
29	7560-2010 Cardio	Cardio Director	(12,000)	Increase with an additional \$1k/mo
30	8610-9020 Comm. Trust	Reduce to \$5k	5,000	Reduced based off last years figure
31	8610-9030 Growth	Reduce to \$7k	3,000	Reduced based off last years figure
32	8610-9040 Green Team	Reduce to \$3k	7,000	Reduced based off last years figure
33	8480-8500 Mamo	Telephone lines for Mammo	(45,000)	Offset with Foundation donation
34	8710-6900 Med Staff	Credentiailling	(16,000)	\$35k for outsourcing creditialing (netted with \$19k)
35	8710-0500 Med Staff	FTE to .8 effective 9/1/16	6,024	Savings in reduction to Med Staff employee
36	7011-2000 Doctors	Pediactric Call (Jan 2017)	(9,125)	Extra \$50/day for 6 months
	Michelle	Add'l Revenue from expected new market	865,000	\$75k-ECT's, \$60k-Employer Direct, \$480k-Surgeries, \$120k-Bariatrics, \$130k Solano Prison
37				
38	8650-2300 HR	HR Legal Claims	(5,000)	Policy Review
39	7012-2000 Hospitalist	Sound Physicians	(150,000)	Increase for the yearly cap
40	7740-0200 Wound Care	.3 FTE IP RN for Wound Care	(30,576)	For quality
Total B			140,608	
Total A and B			(476,392)	

C. Denied Requests:			
1 7420-0200	Surgery	.6 FTE RN Surgery	(74,019) Surgery Staff for quality
2 7420-0100	Surgery	.6 FTE Tech Surgery	(43,618) Surgery Staff for quality
3 7420-3000	Surgery	Bariatric Staples	(64,000)
4 7450-0100	Anest.	.1 FTE Anesthesiology	(5,826) Increase FTE's to a 1.0 FTE
5 8530-0500	Pt. Accting	1.0 FTE Superuser in PFS	(93,600) Add'l FTE for running, creating reports
6 8612-5200	Marketing	Postage for Marketing	(5,000) Mailings for marketing
7 8612-6900	Marketing	Marketing	(25,000) Marketing projects
8 8612-8950	Marketing	Advertising	(34,000) Advertising projects
9 7010-0100	ED	1.23 FTEs for ED Tech	(46,051)
10 8480-0100	IT	1.0 Security Analysis	(83,200) Security for IT
11 8480-0100	IT	1.0 Physician Analyses	(128,960) Physician IT
12 8480-4900	IT	Minor Equipment	(35,000) Removed all Minor Equipment
14 8710-0500	Med Staff	.1 FTE for Med Staff	(6,024) Increase FTE's to a 1.0 FTE
15 6171-0200	OB	.1 FTE for Sweet Success	(12,536) Time allocated for the Sweet Success program
16 8610-9000	Admin	Increase for catch all	(88,000) Kelly's just in cases
17 8650-2300	HR	HR Legal Claims	(30,000) Just in case for any HR legal claims.
Total C			(774,834)

FY 2016/2017 Budget**Cash Projections**

Projected cash at 6/30/16 \$ 2,917,793

Sources

Cash from patient revenue	\$ 53,604,472	
Risk contract review	1,869,252	
Other operating revenue	277,202	
Misc. revenue	23,900	
Donations (unrestricted)	-	
Parcel Tax	3,000,000	
Capital Campaign	248,372	
Restricted contributions	-	
		<hr/>
Total Sources		\$ 59,023,198
Total Cash Available		<hr/> \$ 61,940,991

Uses

Salaries & Benefits	\$ 36,975,978	
Operating expenses	21,259,908	
Other support	298,186	
		<hr/>
Total Uses		\$ 58,534,072

Cash at 6/30/17 (excluding capital) \$ 3,406,919

1st street west Timeshare	DRAFT annual FY 17	
Total Potential Revenue FY 17	\$	155,676
1st street west Timeshare expenses		
Salaries:		
Front office staff (\$28/hr) FT Pass Through Clerical	\$	58,240
Medical Office Coordinator (\$30/hr)	\$	62,400
Medical Assistant (\$20/hr) 16hr/wk Pass Through	\$	16,640
		<u>\$ 137,280</u>
Employee Benefits:		
Employee Benefits (25% of hrly rate)	\$	9,600
Empl Benefits-PTO	\$	5,711
		<u>\$ 15,311</u>
Supplies:		
Supplies -Front office staff	-	\$ 7,200
minor equipment total	\$	3,000
		<u>\$ 10,200</u>
Purchase Services:		
IT service contract	\$	30,000
		starting June 1st 2016
*Fax/Copier maintenance	\$	1,000
Fax/Copier monthly per copy fee + shredding	\$	1,500
		<u>\$ 32,500</u>
Utilities:		
Utilities (PG&E)	\$	3,600
		<u>\$ 3,600</u>
Other:		
Magazine subscription	\$	150
License fee for MMPC	\$	5,000
Orientation/training	\$	2,160
Lease Payment Suites K& L (3rd floor)	\$	130,236
FMV equipment (excl. IT hardware)	\$	11,060
		payment monthly/ 12 mns Oct 2016
		<u>\$ 148,606</u>
Total Expenses		<u>\$ 347,497</u>
Operating Income		<u><u>\$ (191,821)</u></u>

462 West Napa Street	Annual/budget assumptions	Notes
Total Gross Revenue	\$ 55,740	
Timeshare expenses		
Supplies:		
Supplies -Front office staff	\$ 3,000	
		\$ 3,000
Purchase Services:		
Cleaning/linens/medical waste management	\$ 21,600	Spiffys, \$250/wk
Maintenance	\$ 2,400	
Landscaping	\$ 3,000	
Bay Area Alarm System	\$ 300	
Water cooler	\$ 200	Nestle
Orkin Pest control	\$ 960	
Wes County Linens	\$ 1,200	
Shred bins	\$ 300	
Fax/Copier monthly per copy fee	\$ 1,000	Shredit \$21.00/mn
IT needs:	\$ 21,350	Quote from At&t per Beverly updated 12/22/15
		\$ 52,310
Utilities:		
Utilities (PG&E)-triple net lease	\$ 9,000	
		\$ 9,000
Insurance:		
insurance	\$ 1,000	
		\$ 1,000
Other:		
taxes	\$ 5,750	
Magazine subscription	\$ 150	
Lease Payment 1st & 2nd floor	\$ 88,711	
Fax/Copier lease payment	\$ 2,184	for 59 months
		\$ 96,795
Total Expenses		\$ 162,105
Operating Income		\$ (106,365)

Sonoma Valley Hospital
Current Debt-

	Original Principal	Origination - Fiscal Year	Term - Months	Rate	Monthly Payment	Balance 6/30/2016	Balance 6/30/17
Med One - EHR	638,260	2014	60	8.50%	12,144	349,073	215,126
GE - MRI Van	1,008,145	2013	84	4.99%	14,295	585,584	439,959
Creekridge Capital	170,390	2012	60	4.60%		15,728	0
First American Radiology Equipme	652,488	2014	60	4.87%	12,273	341,630	208,021
Celtic	2,500,000	2014	60	3.45%	45,423	1,715,654	1,206,555
Celtic #2	236,487	2016	60	4.94%	4,098	220,257	175,260
Total Leases					76,090	3,227,926	2,244,922
First Financial Buy Out	147,550	2016	12	7.50%	12,800	25,364	0
CEC Loan Phase 1	443,774	2012	180	1.00%		288,388	248,415
CEC Loan Phase 2	716,562	2015	180	1.00%		543,486	455,148
GO Bonds A	12,437,000	2014	20	See Amortization Sch		12,146,000	11,782,000
GO Bonds B	23,000,000	2011	20	See Amortization Sch		22,055,000	21,080,000
Total Payments & Debt						\$ 38,286,165	\$ 35,810,485