



FY 2010 Budget Planning

September 15, 2009

Revenue Assumptions

FY 2010 Budget



This budget will raise more total property taxes than last year's budget by \$9,638,854 or 3.5%, and of that amount, \$7,512,341 is tax revenue to be raised from new property added to the tax roll this year.

It is important to note that taxes are not being increased. The tax base has increased therefore JPS will earn more tax dollars. The government requires the special tax language above and that can be confusing.

FY 2010 Budget



Revenue Assumptions

Preliminary Net Ad Valorem Tax Revenue



	<u>FY09</u>	<u>FY10 Baseline</u>	<u>% Inc</u>
M&O Rate		0.226255	
I&S Rate		<u>0.001642</u>	
Tax Rate	\$0.227897	\$0.227897	0.0%
Tax Base	123,028,347,071	126,422,918,222	2.8%
Tax Revenue	280,377,912	288,114,038	2.8%
TIFs	6,990,848	7,758,860	11.0%
Net Tax Revenue	\$273,387,064	\$280,355,178	2.5%

Based on September Roll

Revenue Assumptions

- Tobacco Revenue will be decreased by 50% from \$12 million to \$6 million
- Assume \$101 million in DSH/UPL funding:
 - Increases in FMAP
 - No legal changes finalized related to program
 - JPS moving above the line-DSH/UPL Floor set at \$101 million

Revenue Assumptions

- Medicare Inpatient and Outpatient Reimbursement increases of 2.1% per Federal Register.
- Medicaid reimbursement has not changed since 2002.

Revenue Assumptions-Concerns

- Potential changes to CHIP coverage would move current Traditional Medicaid deliveries to CHIP
 - Reduced reimbursement per claim-CHIP payments are approximately 95% of Medicaid Fee Schedule
 - Impact to charge room used for DSH/UPL calculations.
- RAC/HMS Audits could negatively impact Medicare and Medicaid revenues-estimate 3% of total Medicare/Medicaid Payments. \$3 million budgeted in FY2010
- Trauma Funds budgeted at \$3 million-State has discussed possibly eliminating Trauma funding from Driver Responsibility Program

Inflation Assumptions

FY2010 Budget



Inflation Assumptions

- Utilities 2%
- Fuel 16%
- Food 2%
- Office Supplies 1%
- Pharmaceuticals 5.5%
- Blood Purchases 3%
- Med/Surg Supplies 1.2%
- Postage 4%
- IV Solutions 3.5%

Key Operating Statistics – Hospital

	FY06	FY07	FY08	FY09P	FY10 Budget	% Change
ED Visits	70,543	72,456	67,140	79,507	83,499	5.0%
OB Triage Visits	14,361	15,343	13,546	13,164	14,400	9.4%
Admissions	20,863	23,147	23,031	23,450	24,332	3.8%
Acute Med/Surg LOS	6.2	6.1	5.9	5.9	5.34	(9.5%)
Births	6,152	6,614	6,541	6,570	6,400	(2.6%)
Surgery Cases	8,623	8,774	8,903	9,311	9,506	2.1%

Key Operating Statistics – CHC

	FY06	FY07	FY08	FY09P	FY10 Budget	% Change
Primary Care Visits	219,822	220,273	215,008	227,510	272,811	19.9%
Specialty Clinic Visits	113,355	92,940	107,708	120,792	138,304	14.5%
School Based Clinic Visits	4,725	20,128	31,474	51,323	67,044	30.6%
Women’s Center Clinic Visits	40,504	62,086	71,700	72,864	77,094	5.8%
Arlington Primary Care Visits	58,779	47,553	53,223	62,849	74,771	18.9%
Dental Visits	23,073	22,949	24,715	26,122	25,946	(0.6%)

Key Operating Statistics – Trinity Springs



	FY06	FY07	FY08	FY09P	FY10 Budget	% Change
Psych ER Visits	15,968	15,676	15,997	17,342	19,013	9.6%
Admissions	2,084	2,289	2,987	3,796	3,767	(0.8%)
Psych Clinic Visits	12,230	13,795	16,723	20,299	19,922	(1.9%)

Key Operating Statistics – GME



	FY06	FY07	FY08	FY09P	FY10 Budget	% Change
Number of Training Programs	10	10	10	10	11	10.0%
Residents	195.5	174.2	172.7	175.1	171	(2.3%)

Key Operating Statistics – DSHA



	FY06	FY07	FY08	FY09P	FY10 Budget	% Change
Outpatient Surgeries	891	1,407	1,946	2,676	2,816	5.2%
Endoscopy Cases	315	1,344	1,858	1,778	1,985	11.6%
Diagnostic Exams	7,200	7,210	8,672	9,032	11,506	27.3%

Key Operating Statistics – FTE's



	FY06	FY07	FY08	FY09P	FY10 Budget	% Change
Hospital	2,280.1	2,356.6	2,612.8	2,853.9	2,849.9	(0.1%)
CHC	808.5	821.7	917.3	1,060.4	1,120.6	5.7%
Trinity Springs	111.8	114.1	134.4	161.9	157.3	(2.8%)
GME	204.1	189.9	193.3	201.8	202.0	0%
DSHA	30.7	40.2	49.2	59.5	54.2	(8.9%)
Total	3,435.2	3,522.5	3,907.0	4,337.5	4,384	1.0%

Payor Mix – Total

	FY06	FY07	FY08	FY09P	FY10 Prelim
Medicare	15.2%	14.6%	14.3%	14.8%	14.5%
Medicaid	24.6%	25.4%	28.4%	23.3%	22.5%
Insurance	8.4%	10.5%	9.6%	7.5%	7.0%
Charity	29.5%	27.8%	27.1%	28.6%	30.0%
Uninsured	22.3%	21.7%	20.6%	25.8%	26.0%

Assumes slight moderation in decline of payor mix

Payor Mix – By Discipline FY10

	Acute	OB	Psych	Outpatient
Medicare	18.0%	0.4%	18.7%	12.3%
Medicaid	17.0%	86.9%	27.5%	17.4%
Insurance	10.6%	1.9%	11.3%	6.2%
Charity	29.1%	0.7%	12.7%	44.2%
Uninsured	25.3%	10.1%	29.8%	19.9%

Statement of Revenues and Expenses

FY 2010 Budget

Patient Services Revenue Budget (in 1000's)



	FY08	FY09	FY10	%
Gross Patient Revenue	1,561,647	1,682,003	1,776,594	5.6%
Charity Allowances	519,318	600,630	631,665	5.2%
Contractual Allowances	582,223	596,947	635,463	6.4%
Net Revenue (Before Bad Debt)	460,895	484,426	508,991	5.0%
Bad Debt Expense	254,543	274,139	285,847	4.2%
Net Patient Revenue	205,563	210,287	223,619	6.3%

FY2010 BUDGET

(in thousands)

	Hospital	Clinics	Trinity Springs	DSHA	GME	Total
Net Patient Services Revenue						223,619
Ad Valorem Tax Revenue						280,371
DSH/UPL Revenue						101,000
Other Revenue						31,851
Total Operating Revenue						636,841
Salaries and Related Expense	222,593	53,536	9,318	4,245	12,769	302,461
Purchased Services	110,089	36,293	3,719	2,999	5,784	158,884
Supplies	77,600	48,119	210	4,369	143	130,441
Other Expenses	20,596	838	54	27	1,512	23,027
Depreciation & Amort	36,018			2,556		38,574
Total Operating Expenses	466,896	138,786	13,301	14,196	20,208	653,387
Income from Operations						(16,546)
Nonoperating Revenue/Expense						13,920
Change in Net Assets						(2,626)

STATEMENT OF REVENUE AND EXPENSE

JPS HEALTH NETWORK FY 2010 BUDGET – DRAFT

(EXCLUDES JPSPG)



(in thousands)	FY08	FY09 Budget	FY09 Projected	FY10 Prelim	%
Net Patient Services Revenue	\$205,563	\$230,323	\$210,287	\$223,619	6%
Ad Valorem Tax Revenue	257,960	273,387	274,184	280,371	2%
DSH/UPL Revenue	106,483	60,495	104,624	101,000	-3%
Other Revenue	28,582	25,567	30,034	31,851	6%
Total Operating Revenue	598,588	589,772	619,129	636,841	3%
Salaries and Related Expense	256,896	265,062	288,790	302,461	5%
Physician Fees	80,390	85,142	92,074	76,444	-17%
Pharmaceutical Supplies	41,481	42,337	46,244	49,799	8%
Other Supplies	73,472	68,582	82,521	80,642	-2%
Other Operating Expenses	95,627	98,487	104,139	105,167	1%
Depreciation & Amort	27,090	35,261	36,128	38,874	8%
Total Operating Expenses	574,956	594,871	649,896	653,387	1%
Income from Operations	\$23,632	(\$5,099)	(\$30,767)	(\$16,546)	
Nonoperating Revenue/Expense	32,222	21,930	23,142	13,920	-40%
Change in Net Assets	\$55,854	\$16,831	(\$7,625)	(\$2,626)	

Patient Revenue

(in millions)

	FY 08 Actual	FY 09 Projected	FY 10 Budget	Variance from FY09 Forecast
Net Patient Revenues	\$ 206	\$210	\$224	\$13

- Medicare Case Mix Index Increase: \$7.3
- Medicare Inpatient Marketbasket: 1.2
- Medicare Outpatient Marketbasket: .4
- Medicaid Acute Non-OB Case Mix: 3.7
- OP Volume including OP Pharmacy: 3.3
- Targeted Charge Increase: .5
- RAC/HMS Audits: (3.0)

Ad Valorem Tax Revenue

(in millions)



	FY 08 Actual	FY 09 Projected	FY 10 Budget	Variance from FY09 Forecast
Ad Valorem Revenues	\$ 258	\$274	\$280	\$6

- Increase in Tax Base: \$7.0
- Increase in TIF Payments: (0.8)

Other Operating Revenue

(in millions)



	FY 08 Actual	FY 09 Projected	FY 10 Budget	Variance from FY09 Forecast
Other Operating Revenues	\$ 28	\$30	\$31	\$1

- Parking Revenue: \$0.5
- PAP Drugs: 0.3
- Other 0.2

DSH/UPL Revenue

(in millions)

	FY 08 Actual	FY 09 Projected	FY 10 Budget	Variance from FY09 Forecast
DSH/UPL Revenue	\$ 106	\$105	\$101	(\$4)

- Reconciliation of Prior Year Data: (\$4)

Salaries

(in millions)



	FY 08 Actual	FY 09 Projected	FY 10 Budget	Variance from FY09 Forecast
Salaries	\$ 209	\$229	\$236	\$7

- Merit: \$ 5.3
- Employee Incentives: (2.5)
- Market Adjustments: 2.5
- Volume Increases 8.4
- Staff Reallocation /Productivity (6.6)
- In-House Parking .4
- Resident Salary Increases .4
- Conversion of DHSA to Outpatient Facility (.9)
- Administrative Reorganization .4

The first two bullets were removed from the final budget in order to close the \$2 million gap. See slide 38

Benefits

(in millions)



	FY 08 Actual	FY 09 Projected	FY 10 Budget	Variance from FY09 Forecast
Benefits	\$ 48	\$60	\$66	\$6

- THA Retirement Increase: \$2.8
- Employee Health Increase: 2.0
- JPSPG Benefit Allocation: 0.9
- FICA on Merit/Market: 0.3

Physician Fees

(in millions)

	FY 08 Actual	FY 09 Projected	FY 10 Budget	Variance from FY09 Forecast
Physician Fees	\$ 80	\$92	\$76	(\$16)

- Regional UPL: (\$20.0)
- Expected Increases for Expiring Contracts: 2.4
- JPSPG Contract Changes: (0.2)
- Volume Increases: 2.5
- Conversion of DSHA to Outpatient Facility (.7)

Purchased Services

(in millions)

	FY 08 Actual	FY 09 Projected	FY 10 Budget	Variance from FY09 Forecast
Purchased Services	\$ 78	\$83	\$82	(\$1)

- MWBE Project-\$84,000
- Case Management Project-\$100,000
- Studer Engagement-\$300,000
- MSP-\$74,000
- Utilities Inflation-\$1,038,000
- Decrease in Advertising Expense-(\$899,000)
- Decrease in legal fees-(\$130,000)
- Decrease in Outside Medical Services-(\$2,002,000)
- IT Purchased Services-\$386,000

Pharmaceuticals

(in millions)



	FY 08 Actual	FY 09 Projected	FY 10 Budget	Variance from FY09 Forecast
Pharmaceuticals	\$ 41	\$46	\$50	\$4

- OP Pharmacy Formulary Changes: (\$2.0)
- Inflation: 2.5
- Volumes: 3.5

Supplies (Excluding Pharmaceuticals)

(in millions)



	FY 08 Actual	FY 09 Projected	FY 10 Budget	Variance from FY09 Forecast
Supplies	\$ 73	\$83	\$82	(\$1)

- Supply Chain Initiatives: (\$2.3)
- Inflation: .5
- Volume: .8

Other Operating Expense

(in millions)



	FY 08 Actual	FY 09 Projected	FY 10 Budget	Variance from FY09 Forecast
Other Operating Exp	\$ 18	\$21	\$23	\$2

- Eliminate PY Adjustments: \$1.1
- Reduction in Cost Offset: .6

Non-Operating Revenue

(in millions)

	FY 08 Actual	FY 09 Projected	FY 10 Budget	Variance from FY09 Forecast
Non-Operating Revenue	\$ 32	\$23	\$14	(\$9)

- Reduction in Tobacco Funds: (\$6.1)
- Reduction in Interest Income: (2.9)

Key Operating Indicators FY2010 Budget



	FY07	FY08	FY09	FY10	%	Bench mark
Net Revenue/APD	\$800.34	\$806.99	\$742.66	\$762.12	2.6%	
FTE/APD	5.2	5.6	5.6	5.5	(1.8%)	5.2
SWB/APD	\$889.66	\$1,008.51	\$1,150.08	\$1,030.89	(10.4%)	\$1,086
Avg SWB /FTE	\$62,706	\$65,752	\$75,075	\$68,862	(8.3%)	\$72,190
Supplies/APD **	\$345.77	\$383.53	\$386.84	\$384.4	0.6%	\$395.44
Op Exp/APD * **	\$1,857.95	\$2,083.04	\$2,228.42	\$2,027.79	(9.0%)	\$1,863.51

* Excludes bad debts, depreciation and interest

Benchmark is Thomson Reuters

** Excludes PAP Drugs and Donated Vaccines

Compare Group

PROJECTED CASH FLOW COMBINED JPS HEALTH NETWORK

(In thousands)	FY 2009 Projected	FY 2010 Budget
Change in Net Assets	-\$7,625	-\$2,626
Add: Depreciation, Amortization and Interest	36,128	38,874
Total Sources of Funds	28,503	36,248
Net Change in Current Assets		
Capital Expenditures	35,069	17,202
Payments on Long Term Debt	1,940	2,020
Payments of Capital Lease Obligations	1,043	1,043
Interest Payments	3,066	2,991
Total Uses of Funds	41,118	23,256
Increase/(Decrease) Operating Cash	-\$12,615	\$12,992



PROJECTED BALANCE SHEET

JPS HEALTH NETWORK

(In thousands)	FY 2009 Projected	FY 2010 Budget
Cash & Investments	\$213,797	\$226,789
Other Current Assets	81,549	80,674
Assets Limited to Use	9,969	9,969
Board Designated Funds	152,472	152,472
Other Designated Investments	5,469	5,469
Property, Plant & Equipment (Net)	306,959	315,446
Total Assets	770,215	790,819
Current Liabilities	83,508	87,664
Non Current Liabilities	68,205	65,352
Net Assets	618,502	637,803
Total Liabilities and Net Assets	770,215	790,819
Days Cash on Hand	156	154

LINE ITEMS TO BE DETERMINED

Income or Loss before Line Items to be Determined		(2,626,000)
To Be Determined:		
Merit Adjustments	5,367,000	
PSA Incentives	2,856,916	
Neurostimulator Implants ~?	500,000	
JPS Benefits:		
Famcare	905,072	
Benefit Credit 1/2	495,383	
Dialysis Care Carve Out	900,000	
Verification of Dependants	500,000	
Health Plan Premium Increase	230,000	
	11,754,371	11,754,371
		9,128,371
		(7,931,000)
		1,197,371

PROJECTED CASH FLOW AFTER DISCUSSION ITEMS AND INITIATIVES

(In thousands)	FY 2009 Projected	FY 2010 Budget
Change in Net Assets	-\$7,625	\$1,197
Add: Depreciation, Amortization and Interest	36,128	38,874
Total Sources of Funds	28,503	40,071
Net Change in Current Assets		
Capital Expenditures	35,069	49,822
Payments on Long Term Debt	1,940	2,020
Payments of Capital Lease Obligations	1,043	1,043
Interest Payments	3,066	2,991
Total Uses of Funds	41,118	55,876
Increase/(Decrease) Operating Cash	-\$12,615	-\$15,805

Change in cash represents reduction of 12 days
Cash on Hand to 142

Capital

Capital was not approved by the board. It will be discussed at Thursday's board of managers meeting.

Capital Budget Assumptions



- ❑ Recommended budget derived from stakeholder requests to replace outdated equipment and technology and acquire new technology to enhance quality services to JPS Health Network patients.
- ❑ Annual capital budget is indexed to budgeted depreciation expense.
- ❑ Approval of capital budget does not equate to automatic acquisition and expenditure of funds. Expenditures for items greater than \$200,000 or that involve real property/construction contracts will require separate Board approval prior to acquisition or contracting.

Capital Budget Assumptions



- ❑ Items costing less than \$200,000 will require approval by both the COO and CFO prior to processing. Items which include an IT component will also require approval by the CIO.
- ❑ Requests for IT systems and/or software will be vetted against the IT Strategic Plan and will require approval from the IT Steering Committee prior to acquisition.

Capital Budget FY10



	Hospital	Clinics	Trinity Springs	DSHA	TOTAL
Facility Renovations	3,030,000	2,300,000	250,000	260,000	5,840,000
Major Capital Equipment	2,473,638	2,524,100	-		4,997,738
Department Capital	1,880,919	215,872			2,096,791
Information Technology	2,455,836				2,455,836
Minor Capital	1,811,905				1,811,905
Total Routine Capital Budget	11,652,298	5,039,972	250,000	260,000	17,202,270
<hr/>					
Total FY 10 Capital Expenditures	11,652,298	5,039,972	250,000	260,000	17,202,270

Capital Budget FY10

Facility Renovations/Construction

CAPITAL CONSTRUCTION FY10				
LOCATION	PROJECT	Previously Approved Funds	Roll Forward FY10	New Unapproved Funds
Roll Forward				
JPOC	Phase 2 (Medicine Specialty Clinic & Consolidate IT)	3,846,100	3,846,100	
Main Campus	3rd OB/OR	2,332,698	551,931	
Main Campus	2nd MRI	3,121,304	2,931,950	
Pavilion	CT Scan	2,466,947	2,466,947	
South Campus	S. Campus Clinic Expansion	960,000	884,700	
			10,681,628	
Priority 1				
Hosp	Boiler #3 Remediation			180,000
Hosp	Tower 7 + Redesign	2,408,153	1,386,608	-
Hosp	JPOC Parking			700,000
Hosp	Replace & relocate existing switchgear			750,000
Hosp	Homeless Center Design Cost			300,000
Hosp	Purchase Property			1,000,000
Hosp	Strategic and Master Facility Plan Project			100,000
	Hosp Subtotal		1,386,608	3,030,000
CHC	Relocate Clinic/Ancillary Spaces			2,000,000
CHC	Ph. 3 Cardiology	1,871,000	1,871,000	300,000
	CHC Subtotal		1,871,000	2,300,000
TSP	Renovate 2 NW and Restore alarm panel system	750,000	750,000	
TSP	TSP Cafeteria			250,000
	TSP Subtotal		750,000	250,000
DSHA	Urgent Care Relocation			260,000
	DSHA Subtotal			260,000
Priority 1 Subtotal			4,007,608	5,840,000

Capital Budget FY10

Major Capital

	Hospital	CHC	TOTAL
Digital Mammography Unit		2,274,100	2,274,100
Lab Automation	688,000		688,000
Ultrasound Equipment	420,000		420,000
Ultrasound Units-Cardiology	240,000		240,000
Telemetry Monitoring System-E3	400,000		400,000
Steris Surgical Tables	127,284		127,284
Elevator upgrades	250,354		250,354
Digital X-Ray Unit		250,000	250,000
Ventillators	348,000		348,000
Subtotal	<u>\$2,473,638</u>	<u>\$2,524,100</u>	<u>\$4,997,738</u>



Capital Budget FY10

Department Capital

Physician & Admin Services	\$109,754
Ancillary Services	482,500
Clinic Services	215,872
ER	64,000
Surgical Services	420,413
Plant Operations	334,243
Police	31,086
Routine care units	215,138
Womens services	223,785
Total Department Capital	\$2,096,791

Capital Budget FY10

Information Technology

PC/Laptop Refresh	886,755
Clinical Documentation Software	500,000
Server Refresh	400,000
Dev/Staging Servers	150,000
Abstracting Software	150,750
Kronos Upgrade	112,500
ChartMaxx Upgrade	111,085
Other	144,746
Subtotal	<hr/> \$2,455,836

NEW INITIATIVES AND SERVICE IMPROVEMENTS



(In Thousands)	FTE's	Operating Expense	Capital
IMPROVE PATIENT ACCESS			
CHC Patient Access Center	8.55	593	23
Arlington Family Medicine	1.50	138	-
Central Arlington-Neuro	-	9	18
OSM-After Hours	1.95	149	-
Diabetic Case Management Expansion	5.25	274	5
South Central School Based Clinic	1.00	149	-
QUALITY			
Med-Psych Unit	6.30	459	37
Clinical Documentation Solution	1.50	125	527
Develop/Expand Lactation Consultant Center	3.49	314	-
IMPROVE PATIENT FLOW/THROUGHPUT			
Expansion of Homecare Benefits	-	324	
Subtotal	29.54	2,534	610

NEW INITIATIVES AND SERVICE IMPROVEMENTS



(In Thousands)	FTE's	Operating Expense	Capital
Subtotal from Previous Page	29.54	2,534	610
IMPROVE PATIENT/PHYSICIAN and EMPLOYEE SATISFACTION			
Pharmacy Benefit Manager-Employees		100	-
Medical Plan Age Change		39	-
New Tower Food Kiosk	1.64	59	50
Patient Tray & Delivery	4.88	129	-
Surgical Patient Care Coordinators	2.25	213	25
GME			
Research Grant Funds	2.50	450	-
Faculty Development		50	-
TRAUMA			
Level 1 Verification	0.91	368	935
UPDATE/REFINE STRATEGIC PLAN			
IT Strategic Plan (Electronic Health Record)	6.00	3,989	31,000
Remote Hosted Environment for Mainframe			
Total Business Plans (Impact to bottom line)	40.91	7,931	32,620