

Commissioners Court Briefing FY 2015 Budget Update

July 8, 2014



Parkland



PHHS 2015 Budget Summary (excluding PCHP, PCCI)	PRELIMINARY BUDGET 15 Workbook @ 6-25-14 (without initiatives)		FY14 Annual Forecast @ May 31, 2014 (Preliminary estimates subject to change)			
	Dollars in thousands	Value	% Total Operating Revenue	Value	% Total Operating Revenue	BUD 15 change from FORECAST 14 Up (Down)
FTEs	10,456.5		9,876		580.50	5.9%
Operating Revenues						
Net Patient Revenue	\$ 513,821	47.1%	\$ 545,973	49.9%	\$ (32,152)	-5.9%
Other Revenue	129,548	11.9%	98,371	9.0%	31,177	31.7%
Taxes	448,242	41.1%	448,913	41.1%	(671)	-0.1%
Total Operating Revenues	1,091,611	100.0%	1,093,257	100.0%	(1,646)	-0.2%
Operating Expenses						
Salaries & Benefits	839,712	76.9%	763,782	69.9%	75,930	9.9%
Drugs	118,859	10.9%	91,570	8.4%	27,289	29.8%
Supplies	281,911	25.8%	228,641	20.9%	53,270	23.3%
Purchased Medical	102,685	9.4%	110,698	10.1%	(8,013)	-7.2%
Interest and Depreciation	85,541	7.8%	59,391	5.4%	26,150	44.0%
Total Operating Expenses	1,428,708	130.9%	1,254,082	114.7%	174,626	13.9%
Operating Income (Loss)	-337,097	-30.9%	-160,825	-14.7%	(176,272)	109.6%
Non-Operating Revenue	210,100	19.2%	212,141	19.4%	(2,041)	-1.0%
Net Income (Loss)	-126,997	-11.6%	\$ 51,316	4.7%	\$ (178,313)	-347.5%



Bending the Cost Curve; Living Within Our Means

U.S. Economy

Cost: From 2010 to 2014, national health spending grew at a rate ranging from above 3% to 5%. Health costs are expected to continue to grow in the coming years at around 7% annually.

Revenue: On the income side of the equation, U.S Gross Domestic Product grew at less than 3% per year. Income growth is expected to persist below this level in the years ahead.

To live within our means, the U.S. economy needs to bend the cost curve in line with GDP growth.

Parkland

Cost: From FY10 to FY14, Parkland's expenses grew by 2.5% on average each year.

Revenue: Over this same period, our revenue grew on average by less than 1%.

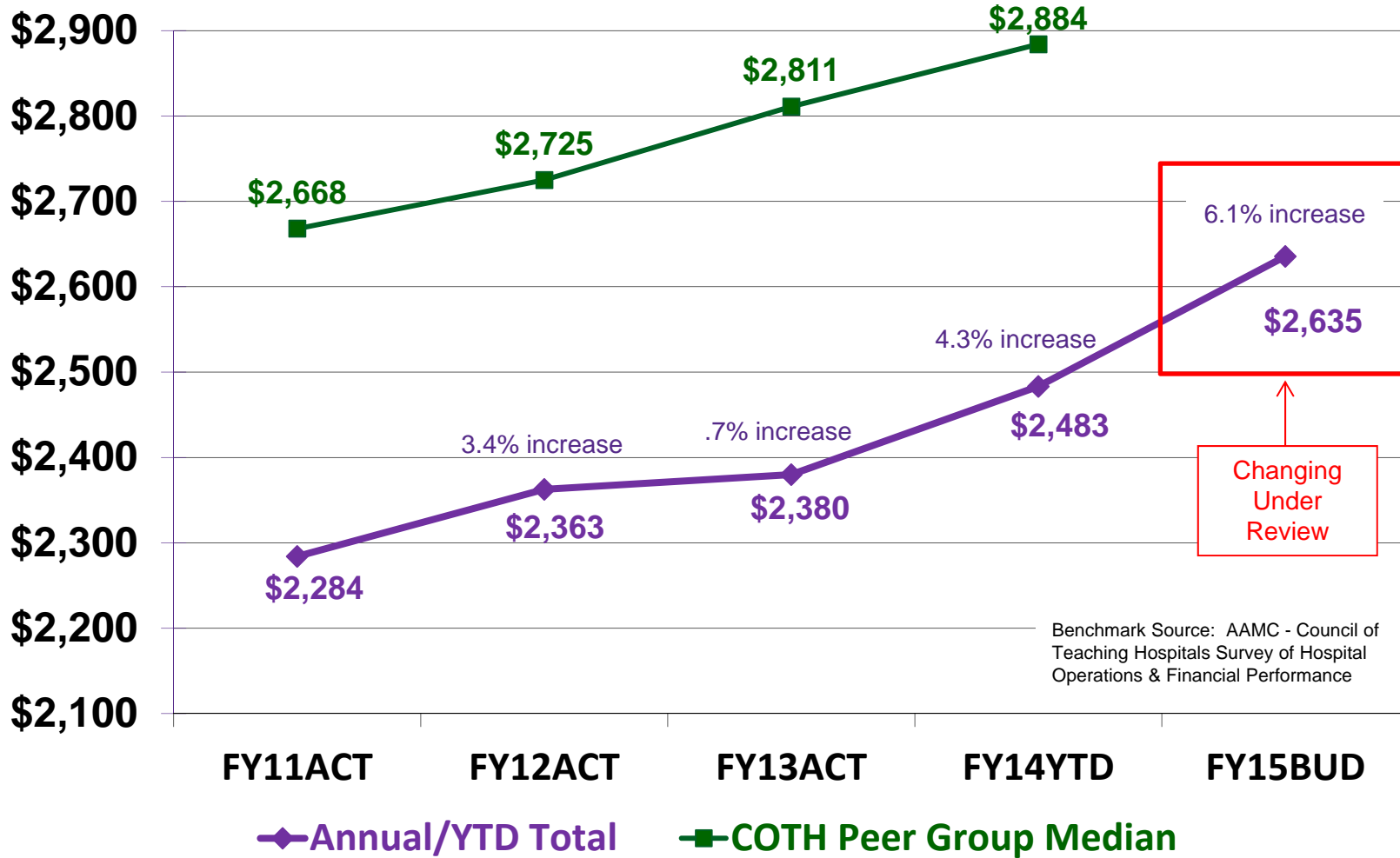
Parkland's expenses have grown at a rate less than national spending, but its revenue has not kept pace with that expense growth. Revenue is heavily dependent on county and state policy. To sustain our mission Parkland must continue to operate efficiently and work with the state and county to identify necessary revenue.



Operating Cost per Adjusted Patient Day

Preliminary and Subject to Change

Dollars/Adj. Patient Day

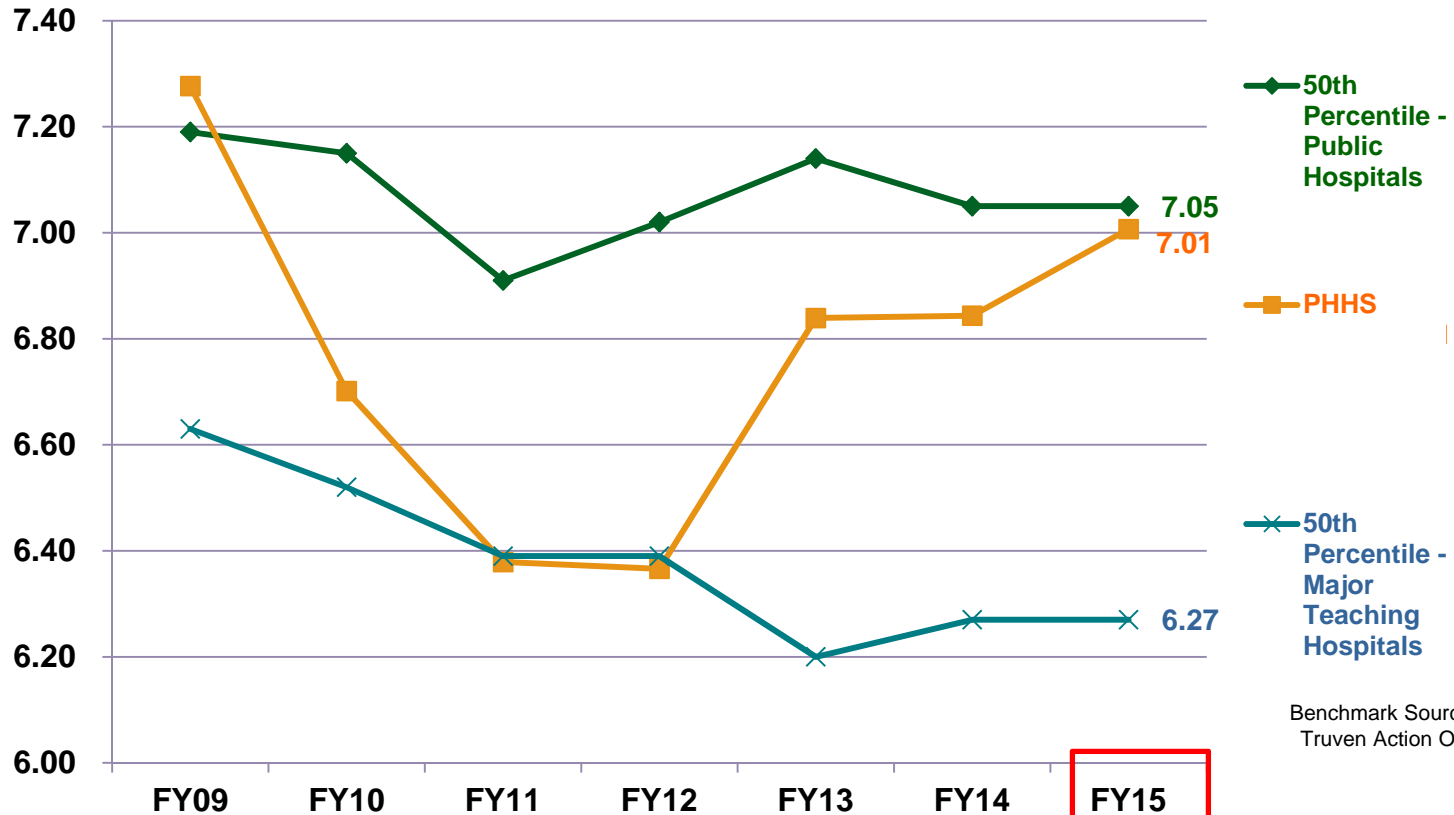




FTEs per Adjusted Occupied Bed

Preliminary and Subject to Change

FTEs per AOB



Benchmark Source:
Truven Action O/I

	FY09	FY10	FY11	FY12	FY13	FY14	FY15
FTEs	8,544	8,557	8,627	8,907	9,628	9,876	10,456
FTE increase		13	70	280	721	248	580

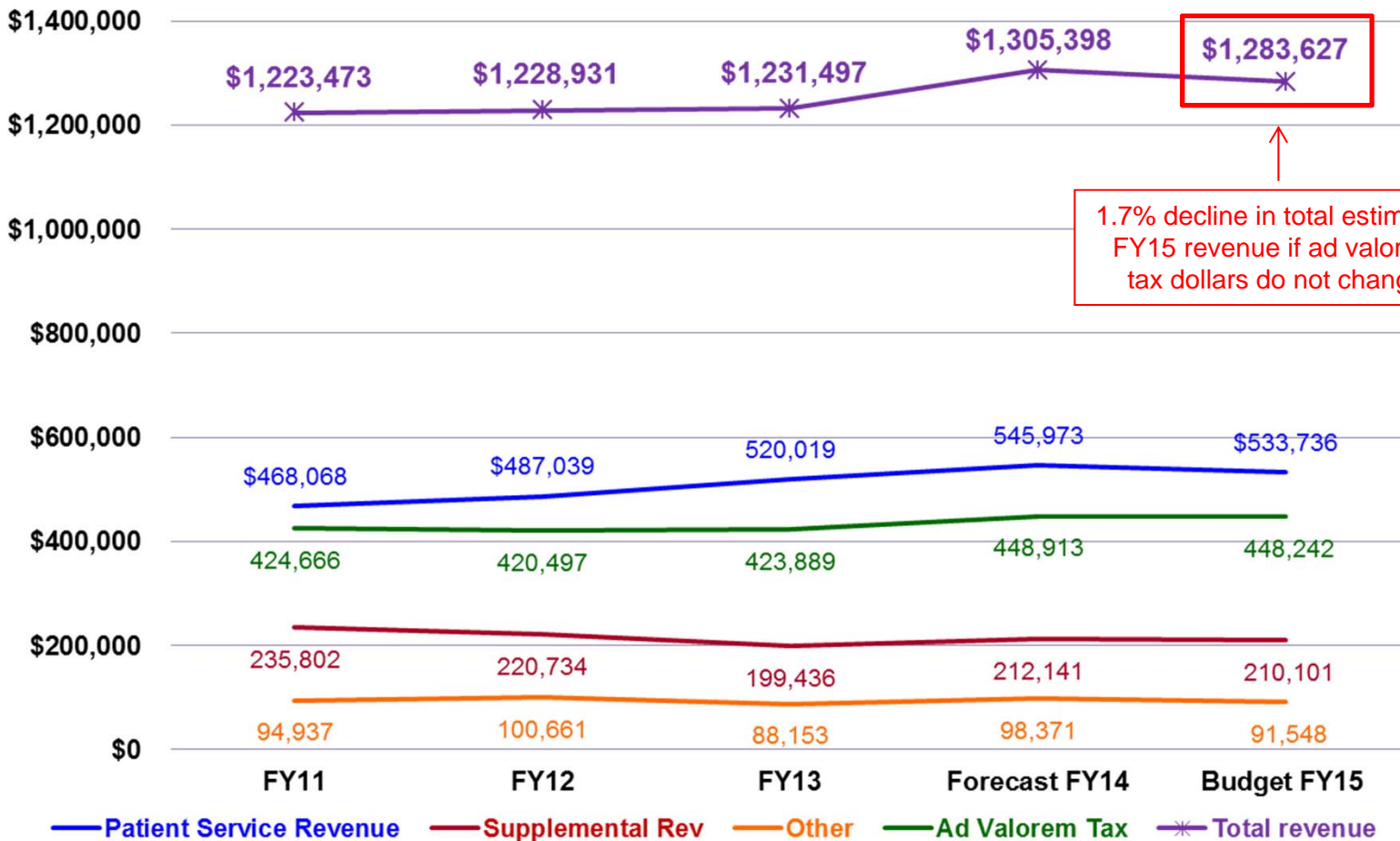
Changing Under Review



Revenue Trend Summary

Preliminary and Subject to Change

Dollars in thousands

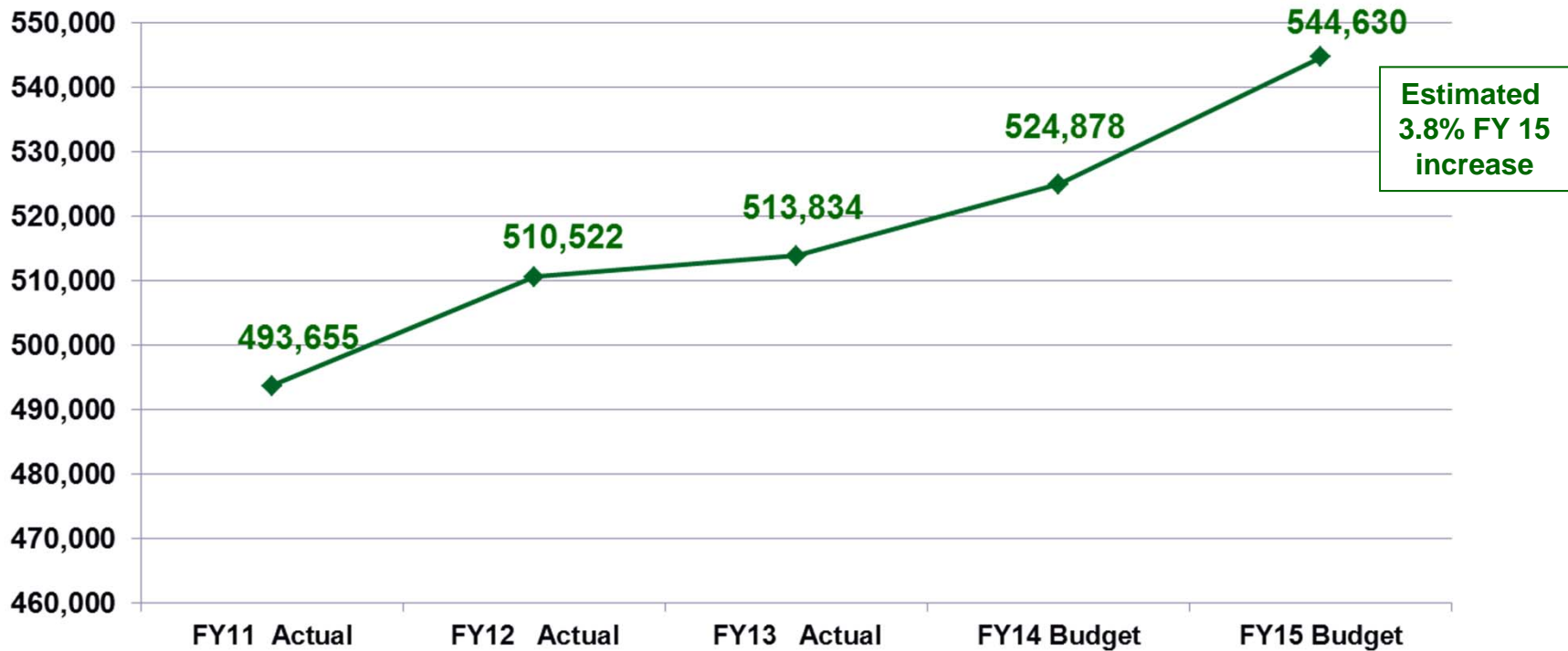


Revenues exclude intercompany contributions from PCHP & Foundation

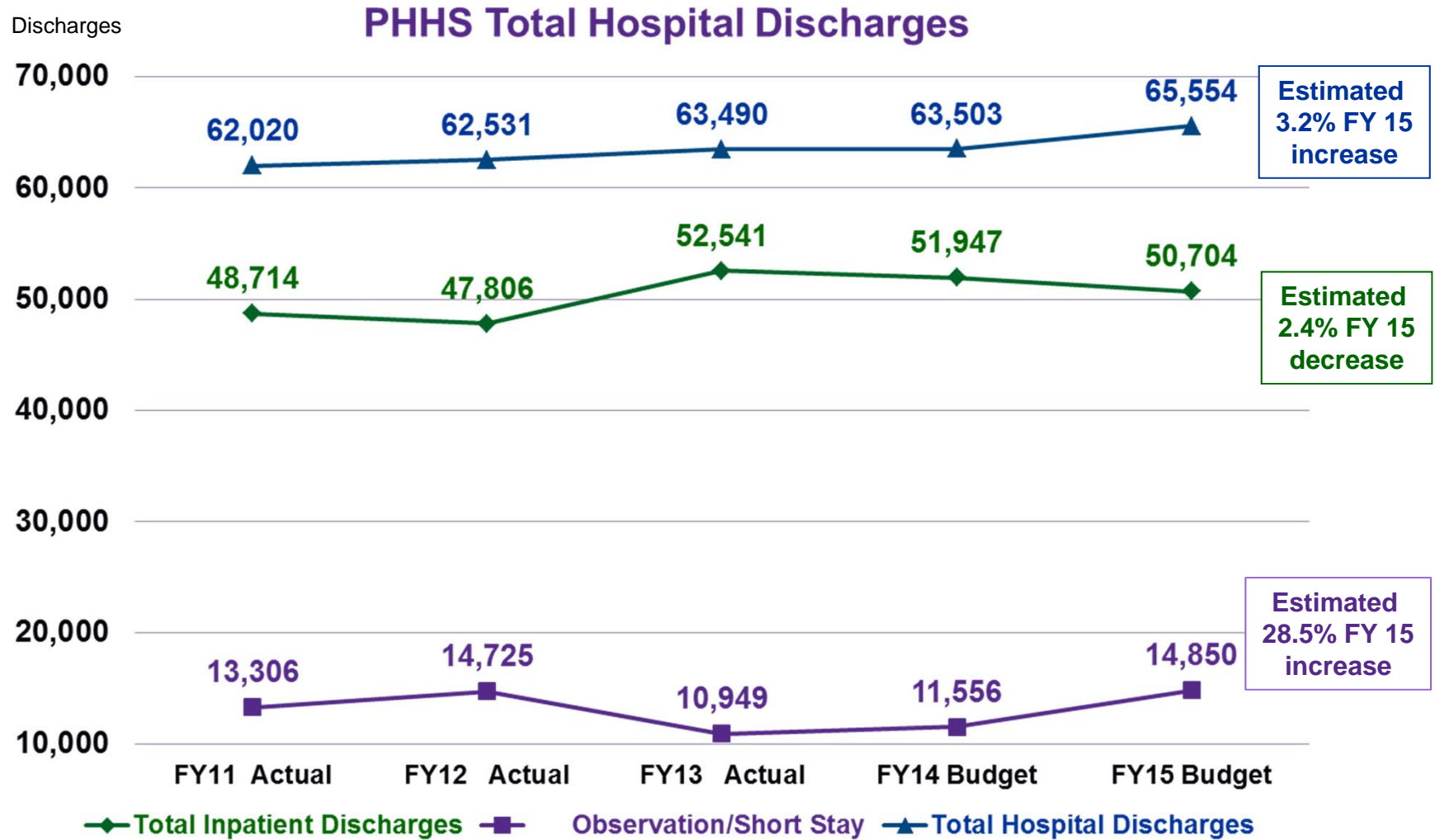


Adjusted Patient Days Annual Trend

Adjusted Patient Days

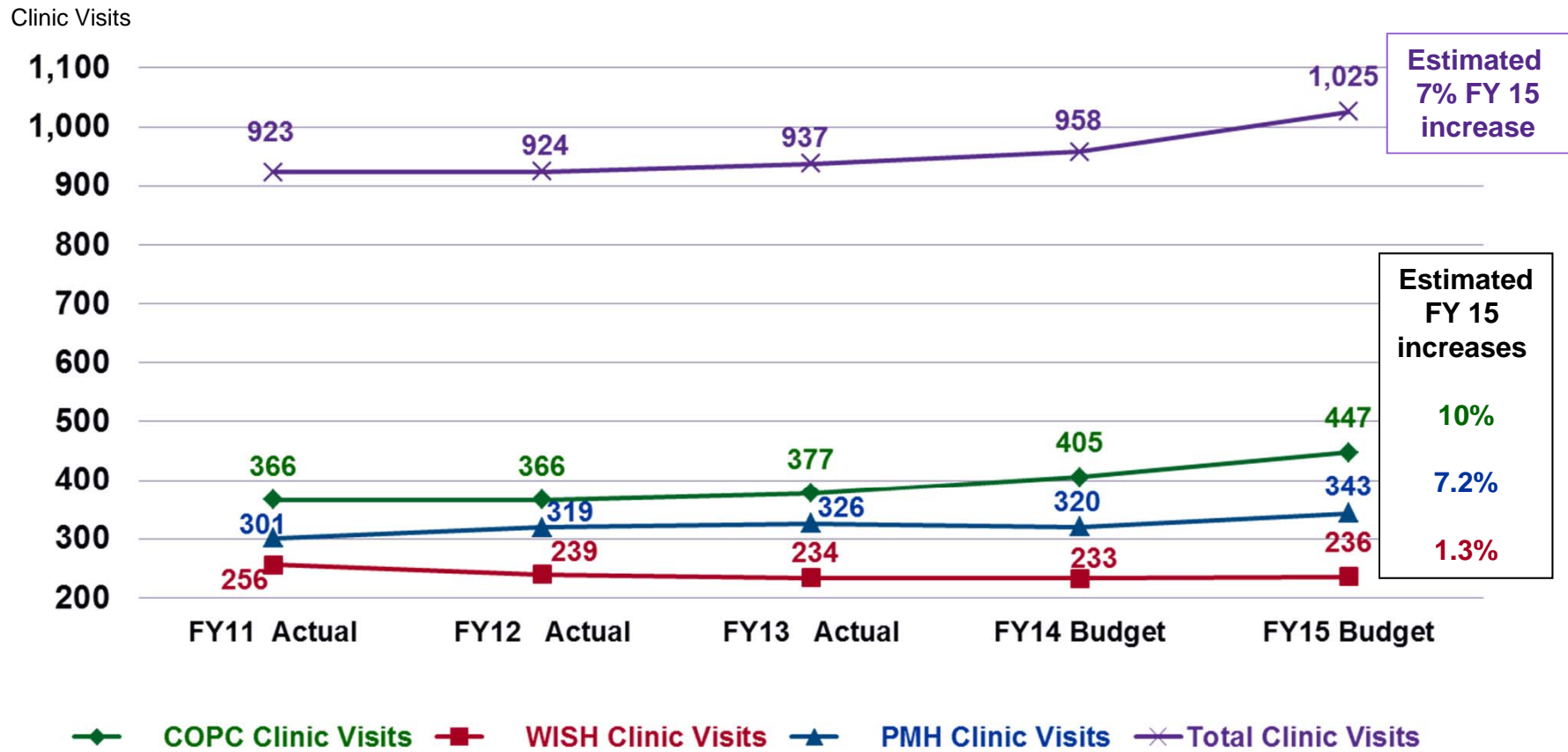


The Adjusted Patient Days statistic provides a barometer of the overall level of activity – inpatient and ambulatory care – across all of Parkland’s operations





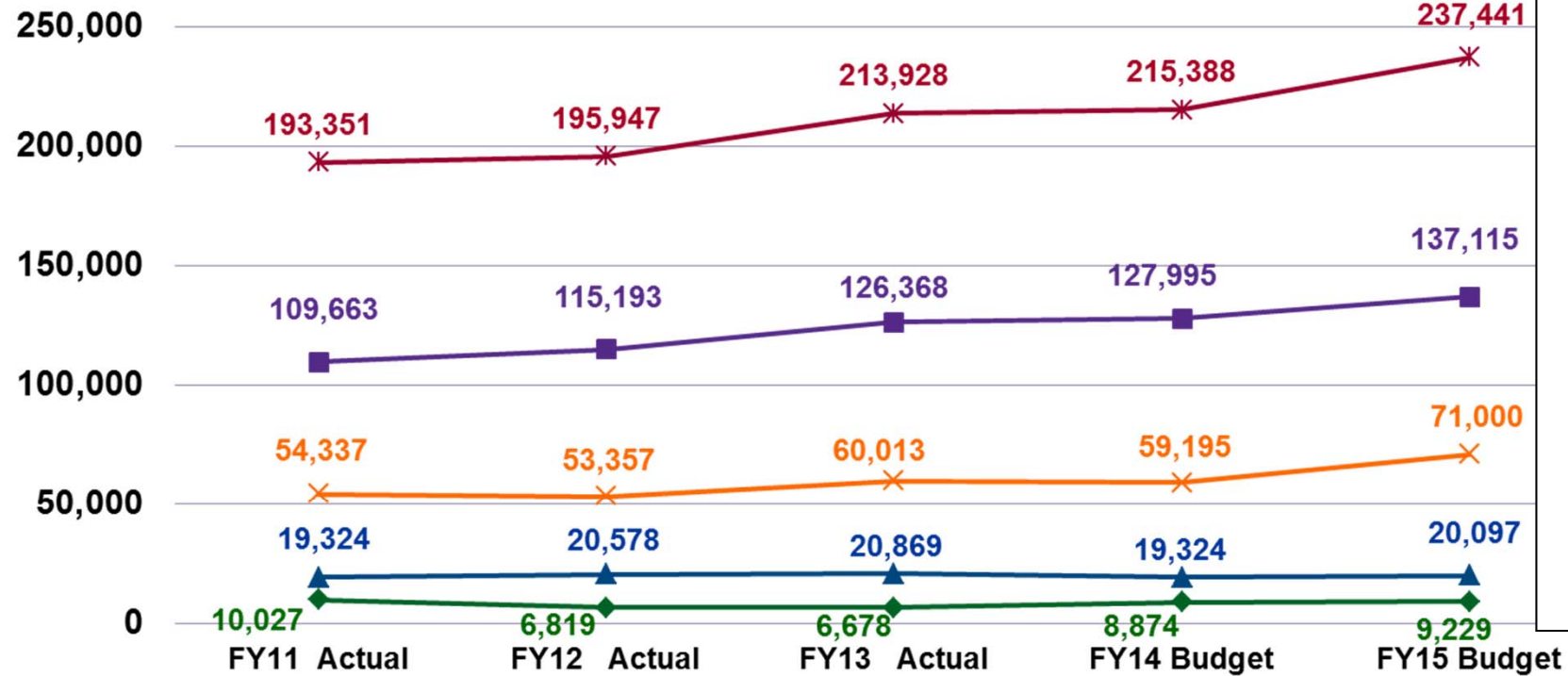
Outpatient Clinic Visits Annual Trend (in thousands)





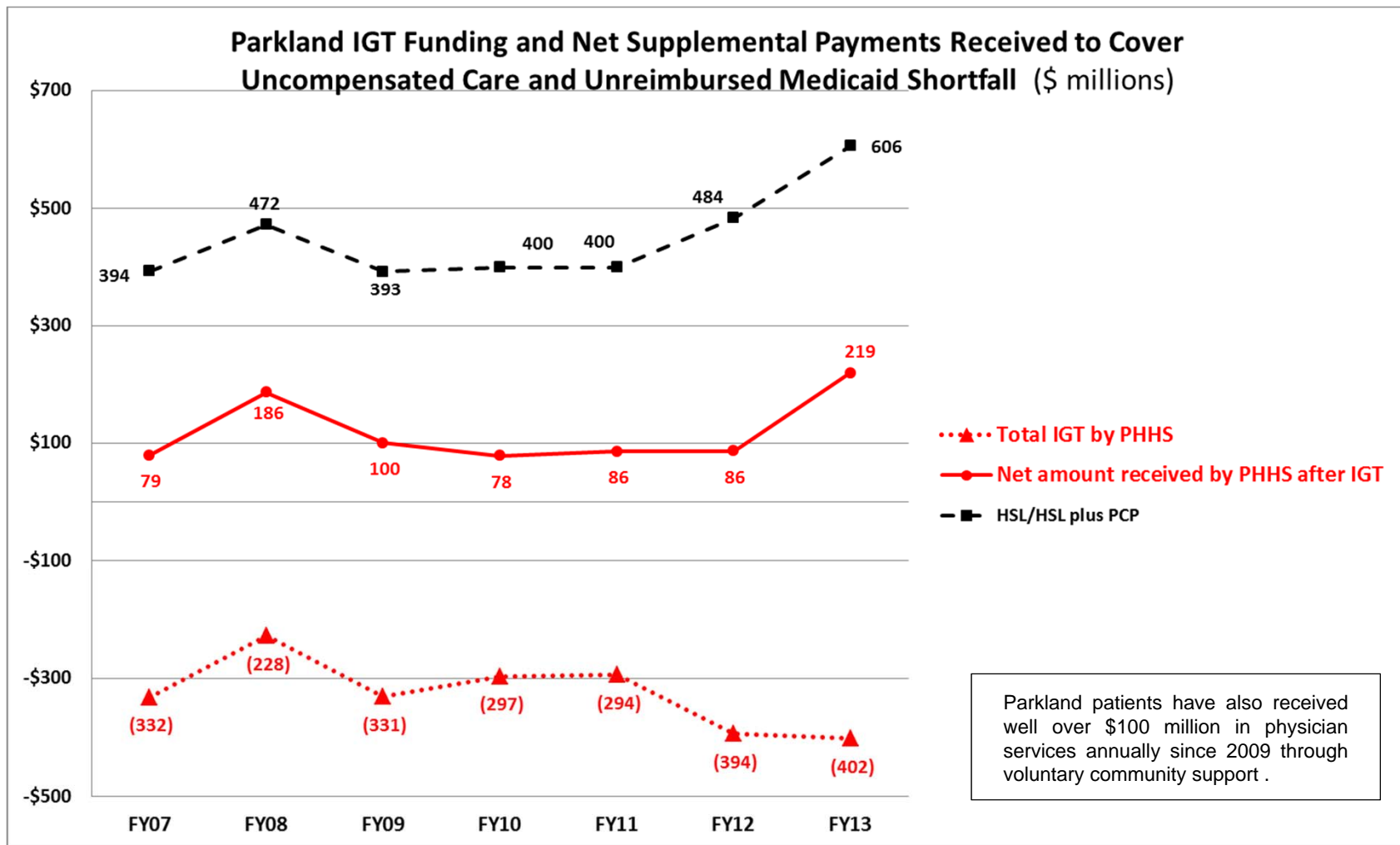
ER / Urgent Care Visits Annual Trend

ER & UCC Visits



Category	Estimated FY 15 increases
Total ER / Urgent Care Visits	10.2%
Main Emergency	7.1%
Urgent Care Clinic	19.9%
OB ICC	4%
Psych ER	4%

◆ Psych ER ■ Main Emergency ▲ OB ICC ✕ Urgent Care Clinic ✱ Total ER / Urgent Care Visits





Parkland

Drivers of Budget Increase

- Higher volumes that require more resources for care delivery
- 1115 Waiver execution and other investments in community-focused programs to enhance access, transform care delivery and improve population health
- Inflation in medical supplies, drugs, wages & benefits
- Maintaining up-to-date technology
- Graduate Medical Education demands
- Investments in important clinician staff to meet patient needs
- Quality and compliance investments, including fulfillment of Corporate Integrity Agreement requirements
- New Parkland



- Patient-centered design – extensive improvements
- Continued operational planning underway for the different environment
- Budgeting for the changed environment
 - Continued cost to operate some legacy space
 - Square footage doubles – Utilities, Security, Maintenance, Staff
 - Changing patient flows, care approaches, equipment
 - One-time, transition costs
 - Tracking estimates to ensure accountability and results delivery



Parkland

Success in Managing Quality, Reimbursement and Costs

- Predictive modeling and care management to reduce readmissions
- Grant funding to address social determinants for readmissions
- OPAT program to free up more inpatient beds every day, enabling acute care access for more patients
- Success in driving down CLABSI and HAPUs
- Billing process to produce record high collections of the revenue Parkland earns for delivering care
- Enhanced focus on performance measurement and improvement, business intelligence, risk management, internal controls, standards of excellence and other good stewardship approaches to improve accountability, reduce waste and deliver higher value with our resources



- Tues 7/29 Board of Managers Finance Committee Presentation
- Tues 7/25 Property tax values certified
- Tues 8/12 2nd Commissioners Court Presentation
- Tues 9/5 Board of Managers Approve FY15 Budget
- Tues 9/9 3rd Commissioners Court Presentation
- Tues 9/16 Court Votes on Budget