



Parkland

Commissioners Court
FY2016 Budget Review
July 7, 2015



2015 Projections: No Deficit

- Reduce Expenses/Avoid Costs
 - More efficient staffing to volume
 - Supply chain value analysis
 - Dialysis initiative
 - Emergency Department (ED) out of county initiative
 - Outpatient IV Antimicrobial Therapy (OPAT)
 - Patient assistance: Hepatitis C, Oncology and other specialty drugs
- Increase Revenue
 - Collections improved
 - Slight shift in payer mix
 - Network Access Improvement Program (NAIP)

Parkland Executives and Staff are focused on six major priorities:

- Patient Care: Quality, Safety, Efficiency, Access
- New Parkland Transition
- Medicaid 1115 Waiver
- Work with the state to optimize funding for essential services
- Continue to comply with the Corporate Integrity Agreement
- Stabilize leadership; recruit and retain top talent

FY2016 Budget Challenges

- New costs at New Parkland (e.g., interest, depreciation and volume)
- Declining reimbursement
- Increasingly more competitive labor market:
 - Continued emphasis on retaining and recruiting
 - The labor market continues to drive up costs for all clinical specialties (nurses, techs, etc.)
 - Increased contract labor use
- Significant increases in pharmaceutical specialty drugs
- Expenses to comply with the Corporate Integrity Agreement
- Demand for greater access
 - Improved/expanded services



The Uninsured in the U.S. and Texas

Percentage Uninsured in the U.S., by Quarter

Do you have health insurance coverage?
Among adults aged 18 and older

Texas Uninsured Rate 24%



■ % Uninsured



Quarter 1 2008-Quarter 1 2015

Gallup-Healthways Well-Being Index



FY2016 Budget Assumptions

Expense Assumptions

- Salaries
 - 2% merit increase
 - Market adjustment analysis in process
- Surgical Supplies:
 - 3% increase for surgery, cardiac lab, and cardio-pulmonary ICU
 - 2 % increase for all other areas
- Drugs: significant increases due to specialty drugs and 340b mandated program changes
- Operations
 - Both sides of Harry Hines
 - Added volume in some service lines
- \$22.9 million additional depreciation for New Parkland in FY16

Revenue Assumptions

- Average 5% price increase was based on acquisition costs for supplies, Average Wholesale Price (AWP) for pharmacy items and limitations of managed care contracts
- Estimated reductions to Medicare/Medicaid reimbursement
- Estimate at least 6% increase in tax revenues based on preliminary property value estimates



FY2016 Budget Estimates

- The FY2016 budget draft estimates are based on management's initial review and are subject to further review by management and the Budget and Finance Committee
- Preliminary 2016 estimates are being reviewed in June and July by the Budget and Finance Committee
- Management and the Budget and Finance Committee will be conducting additional reviews prior to the next presentation and anticipate meeting all required dates
- Net Income Analysis in Process



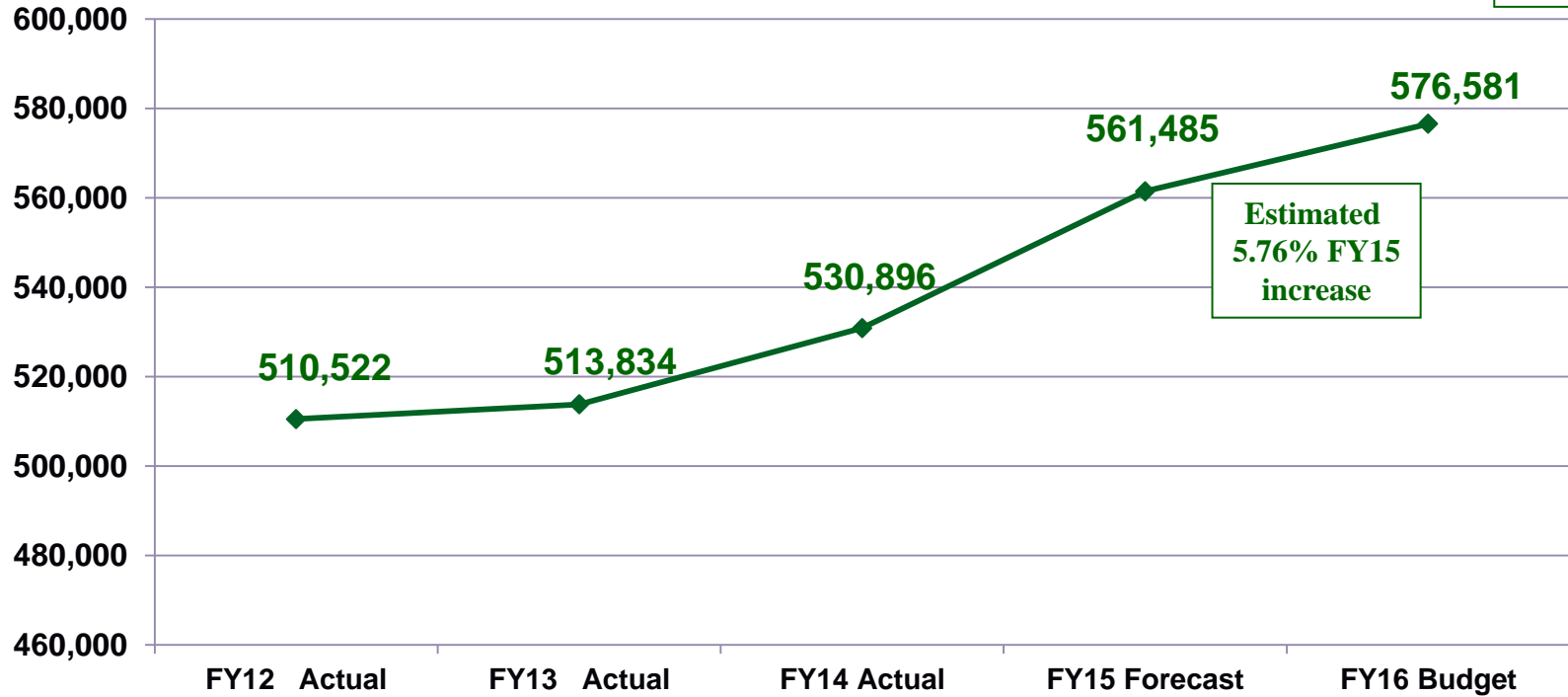
- Goal is to achieve positive operating margin
- Manage strategic capital investments:
 - Continue to invest in information technology designed to improve patient care and to improve efficiency (e.g., productivity tools)
 - Re-using approximately 50% of current equipment in New Parkland
 - Master Campus Planning in process



FY 2016 Volume Trends

Adjusted Patient Days Annual Trend

Adjusted Patient Days



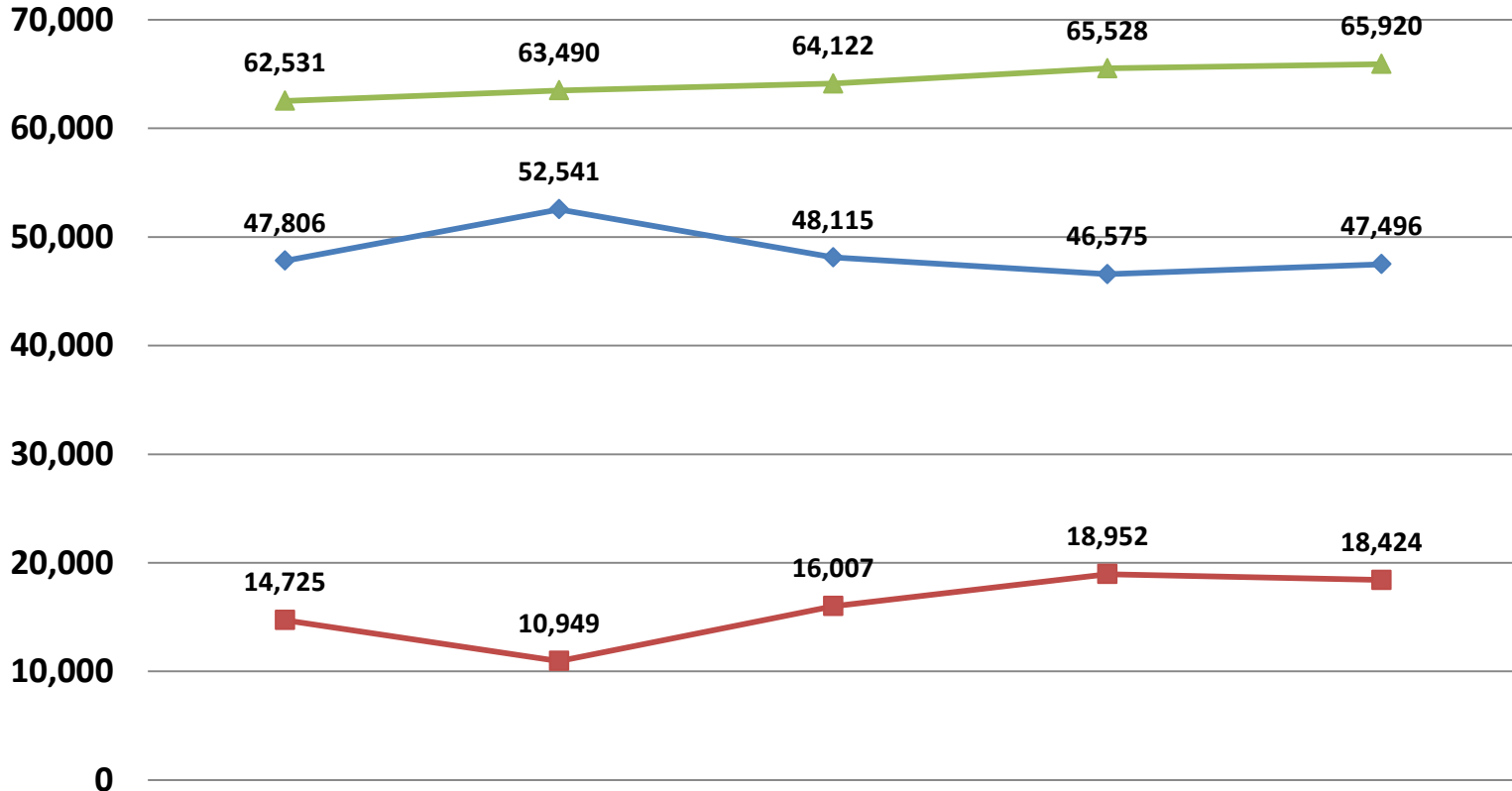
The Adjusted Patient Days statistic provides a barometer of the overall level of activity – inpatient and ambulatory care – across all of Parkland’s operations



FY 2016 Volume Trends

Discharges

PHHS Total Hospital Discharges Annual Trend Including Obs/Short Stay



Estimated
0.6% FY16
increase

Estimated
1.98% FY16
increase

Estimated
(2.78%) FY16
decrease

◆ Total Inpatient Discharges ■ Observation/Short Stay ▲ Total Hospital Discharges



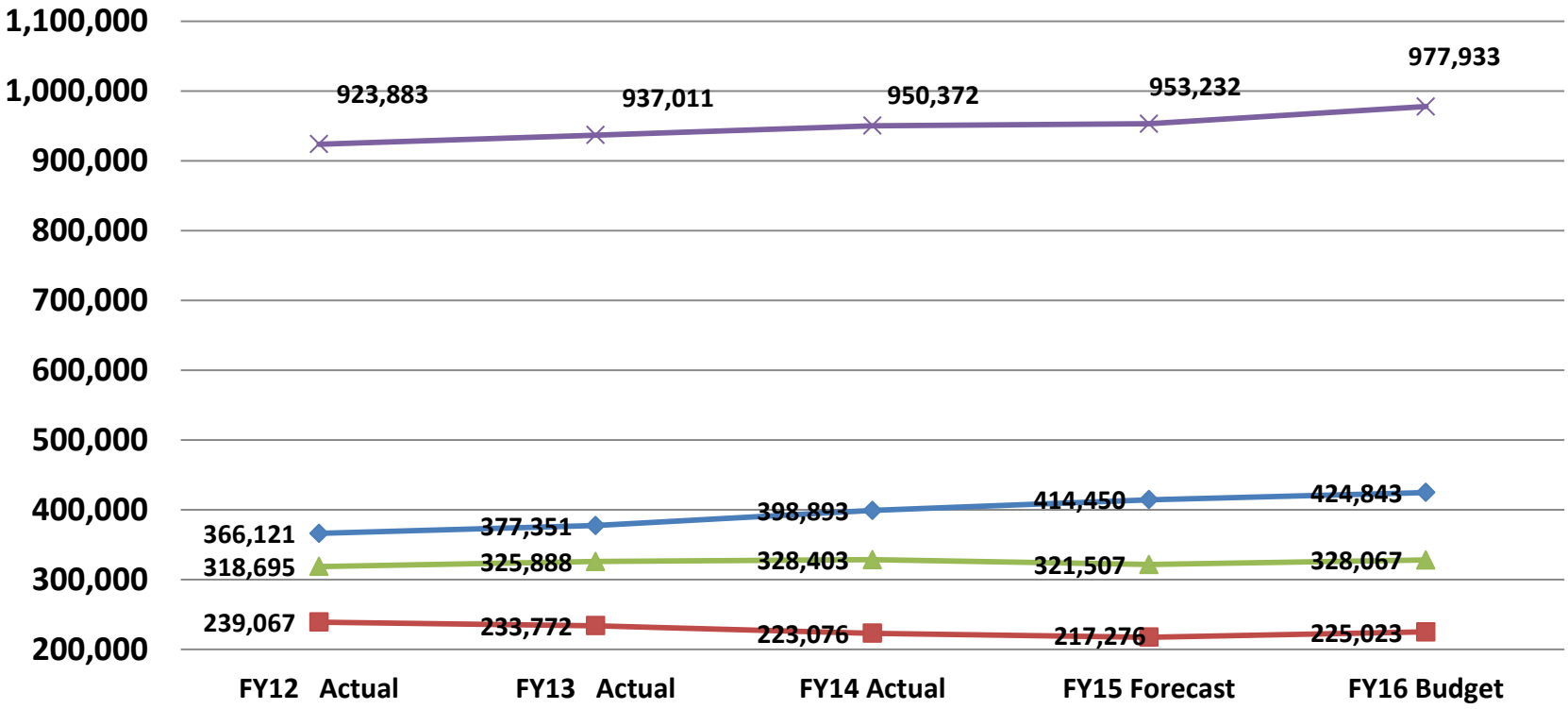
FY 2016 Volume Trends

Outpatient Clinic Visits Annual Trend

Clinic Visits

Estimated
2.59% FY16
increases

Estimated
FY16
increases
2.50%
2.04%
3.57%



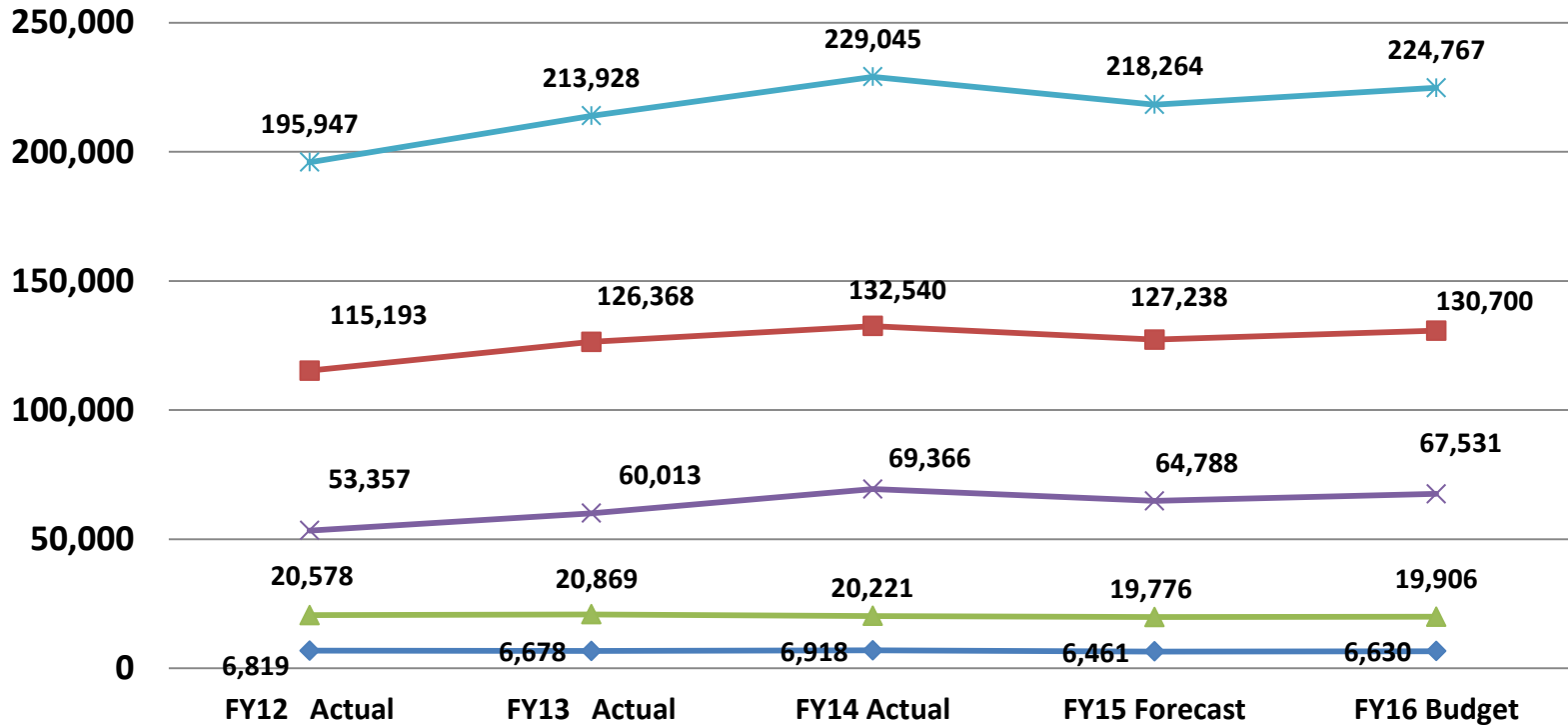
◆ COPC Clinic Visits ■ WISH Clinic Visits ▲ PMH Clinic Visits ✕ Total Clinic Visits



FY 2106 Volume Trends

ER & UCC Visits

ER / Urgent Care Visits Annual Trend



Estimated
FY16
Increases

2.98%

2.72%

4.23%

0.66%

2.62%

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



Parkland

Preliminary Draft - Subject to Change & Board Approval

Income Statement Projections

(in thousands)	PHHS 2014 Actual	PHHS Projected 2015	Nursing Homes Projected 2015	PHHS Projected Combined 2015	PHHS Budget 2016	Nursing Homes Budget 2016	PHHS Budget Combined 2016
<u>OPERATING REVENUES</u>							
Net Patient Revenue	552,491	562,705	56,865	619,570	625,446	113,720	739,166
Net Ad Valorem Taxes	449,537	496,432	-	496,432	526,218	-	526,218
Government Programs	192,602	183,383	742	184,125	179,131	25,506	204,637
Other	79,377	91,415	21	91,435	112,292	41	113,033
Total Operating Revenues	1,274,006	1,333,934	57,627	1,391,562	1,443,786	139,267	1,583,053
<u>OPERATING EXPENSES</u>							
Salaries and Benefits	792,589	806,817	33,093	839,910	898,526	66,190	964,715
Purchased Medical Services	99,755	100,349	-	100,349	108,436	-	108,436
Supplies and Pharmaceuticals	357,160	363,685	24,105	387,790	441,105	60,209	501,314
Subtotal Operating Expenses	1,249,504	1,270,851	57,198	1,328,049	1,448,068	126,398	1,574,466
OPERATING CASH FLOW MARGIN	24,502	63,084	429	63,513	(4,282)	12,869	8,587
Depreciation	53,640	66,679	1	66,680	89,543	2	89,545
OPERATING INCOME (LOSS)	(\$29,138)	(\$3,595)	\$428	(\$3,167)	(\$93,825)	\$12,867	(\$80,958)
<u>NONOPERATING REVENUES (EXPENSES)</u>							
Grants	22,955	21,643	-	21,643	25,975	-	25,975
Other Non-operating revenues (expenses)	3,797	385	(57)	328	(19,285)	(114)	(19,399)
Net Income (Loss) before Capital Contributions	(\$2,386)	\$18,433	\$371	\$18,804	(\$87,135)	\$12,753	(\$74,382)
Capital Contributions	5381.2	56,000	-	56,000	16,000	-	16,000
Total Net Income (Loss)	\$2,995	\$74,433	\$371	\$74,804	(\$71,135)	\$12,753	(\$58,382)



- **Preliminary information regarding taxable valuations indicates a likely increase in tax revenues of at least 6% assuming no increase in the tax rate.**
- This assumes the current tax rate of \$0.286 of which \$0.019 is for debt service.
- Collection percentages remain constant at approximately 99%.



FY 2016 Debt Financing Levy

We expect a modest decrease in the debt service tax rate for FY 2016 from the FY 2015 budget based on a 6% increase in taxable values.

Required Debt Service Rate using estimated December 31, 2014 Taxable Values

(Dollars in Millions; Assume 99% Collection Rate)

Fiscal Year	2015	2016
2009 Series Debt Service-Interest	38.8	38.4
2009 Series Debt Service-Principal	8.2	9.5
2009 Series-Normal Federal Subsidy	(13.3)	(13.3)
2009 Series-Subsidy Sequestration	1.0	1.0
2013 Series Debt Service	-	-
Estimated Tax Requirements	<u>34.7</u>	<u>35.6</u>
Estimated Tax Base	\$ 175,646	\$ 182,672
Tax Rate per \$100 (Dollars)	<u>\$ 0.020</u>	<u>\$ 0.019</u>
Voter Approved Debt Service Rates	<u>\$ 0.025</u>	<u>\$ 0.025</u>

The tax rate excludes \$1.8 million of debt service on the 2013 bonds which are financed by parking revenues up to \$3 million annually.



- **Completed Items**

- Budget Review Meetings Completed – June 25, 2015

- **Pending**

- Volumes Updates (Vetting and Finalization)
- FTE Staffing Reconciliation
- New Parkland Cost Analysis
- Net Revenue Analysis



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Remaining Calendar

- July 7th: First Presentation to Commissioners Court
- July 16-17th Line Item Budget Due to Commissioners Court
- July 22nd: Second Presentation to Finance Committee
- July 23rd: Property Tax Values Certified
- July 28th: Presentation Due to Commissioners Court
- August 11th: Second Presentation to Commissioners Court
- August 26th: Final Presentation of Budget to Board and Budget Approval
- August 26th: Presentation Due to Commissioners Court
- September 8th: Final Presentation to Commissioners Court
- September 15th: Budget Vote by Commissioners Court