



## **FY2024 Budget**

**July 1, 2023 – June 30, 2024**



# FY2024 Budget Message

## Overview

We are pleased to present the Fiscal Year (FY) 2024 budget from July 1, 2023 to June 30, 2024. This budget reflects a significant change in Bay Area Hospital's financial position and operating margin.

Bay Area Hospital ended FY2022 with a (\$55.9M) loss from Operations, and FY2023 is estimated to have a (\$34.4M) loss from Operations. FY2024 is budgeted at a (\$411.5K) loss from Operations.

Looking back over the current Fiscal Year (FY2023), many changes and processes have been put into place to drive the improvements needed for a successful FY2024. More specific details are included in the assumptions below.

## Assumptions

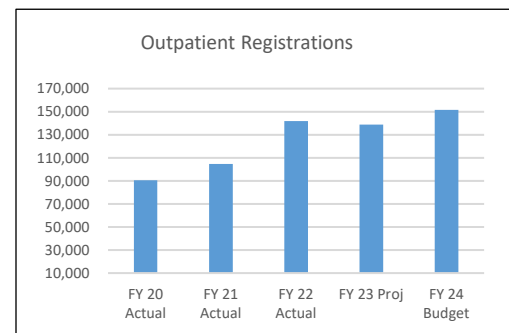
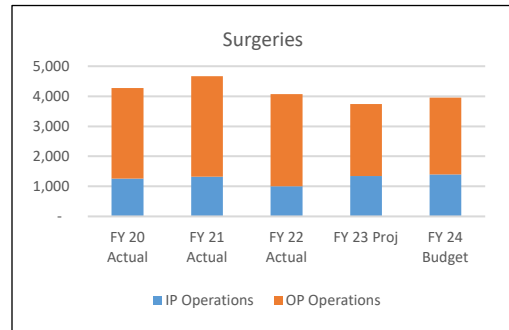
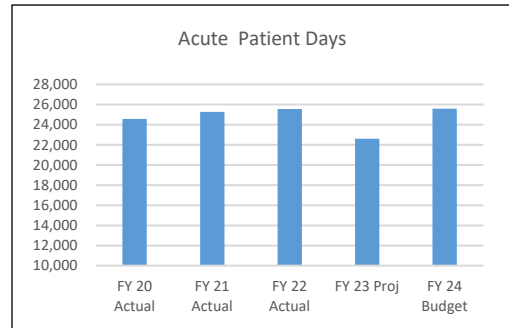
### Volumes

Acute Patient Days are increasing to 25,591 or 13.19% over FY2023 projected days due to the fact that we had to limit the number of patients being cared for in the fall of 2022 due to a shortage of Inpatient Nurses. The budget patient days are similar to the levels seen in FY2021 and FY2022.

Contributing to the increased number of inpatients is the operating room continuing to increase the number of surgeries they perform to 3,957 in FY2024. Prior to FY2022, Eye surgeries were done routinely at Bay Area Hospital. In FY2022, the surgeons started to move their eye surgeries to an outpatient surgery center.

The total effect of this transition was felt in FY2023. FY2024 shows this stabilization and the hospital's full anesthesia coverage, which was an issue for parts of FY2022 and FY2023. The stability of service and a new OB/GYN surgeon are further driving the additional growth in FY2024.

Outpatient volumes are budgeted to grow in FY2024 to 151,432 or 9.07% above the prior fiscal year. Imaging, Sleep Lab, Prefontaine Clinic, and Cancer Center are the most significant volume growth drivers. Employee and physician stability, as well as the Pandemic ending, are driving the increases.



## Gross Revenues

FY2024 Gross Revenues are forecasted to be \$656.2M or 13.54% higher than FY2023 projections. 7.54% of this increase is due to the increased volumes explained above, and 6.0% is due to a price increase. The price increase was implemented to maximize payor contract rates and increase rates where Bay Area Hospital is currently below market.

## Net Revenues

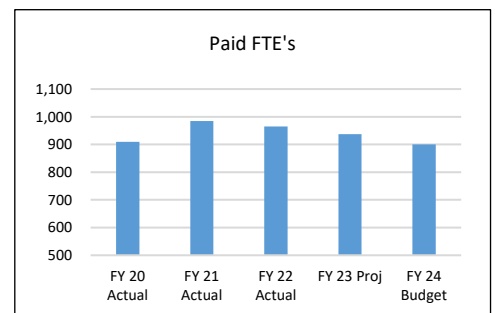
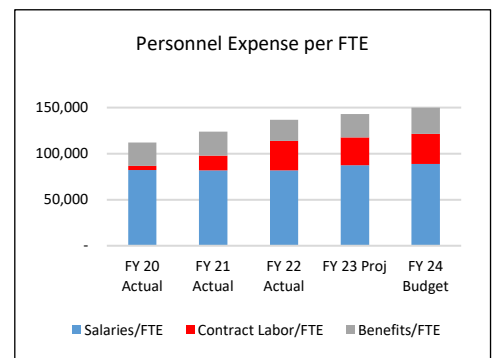
Overall Net Patient Revenue in FY2024 is budgeted at \$231.1M, or 16.69% higher than FY2023. Of the increase, \$1.2M is attributed to the 6.0% pricing increase, and \$15.2M is attributed to the volume increase. The remaining increase in the Net Patient Revenue is due to reductions in denials, having engaged payors in contract negotiations, and continued improvement in charge capture. Overall, FY2024 is budgeted to collect 35.2% of charges, up from 34.3% for FY2023.

|                    | <u>FY2023 Proj</u>   | <u>Volume</u>       | <u>Rate</u>         | <u>FY2024 Bud</u>    |
|--------------------|----------------------|---------------------|---------------------|----------------------|
| Inpatient          | \$249,619,837        | \$17,303,264        | \$10,635,622        | \$277,558,723        |
| Outpatient         | \$328,345,063        | \$27,169,703        | \$23,147,068        | \$378,661,834        |
| <b>Total Gross</b> | <b>\$577,964,900</b> | <b>\$44,472,967</b> | <b>\$33,782,690</b> | <b>\$656,220,557</b> |
| Deductions         | \$379,919,931        | \$29,233,897        | \$15,960,412        | \$425,114,241        |
| <b>Net Revenue</b> | <b>\$198,044,969</b> | <b>\$15,239,070</b> | <b>\$17,822,278</b> | <b>\$231,106,316</b> |

## Personnel Expenses

The UFCW contract had expired at the end of June 2022, and a settlement was finally reached in March 2023. The agreement was a substantial wage increase for our staff, averaging a 16.50% overall increase in year one. The budget does include an estimated 6.00% base increase for UFCW members and a 4.0% increase for ONA members. Both contracts are tied to the CPI-W index, so the final increase may vary from these amounts. Rates were also increased for non-contractual employees.

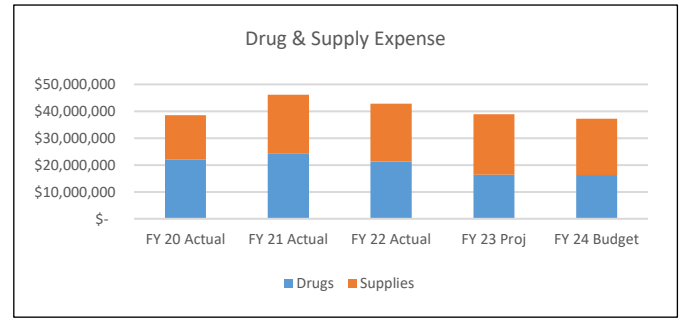
The focus for FY2024 is on improving productivity and staff turnover at the department level. By focusing on these two projects, staffing is projected that the FTE's will reduce from 937 for FY2023 to 900 in FY2024. Personnel Expenses as a percentage of Net Patient Revenues are reducing to 58.4% in FY2024, which is near FY2021 levels



after having increased to 72.5% in FY2022 and 67.7% in FY2023 Projected.

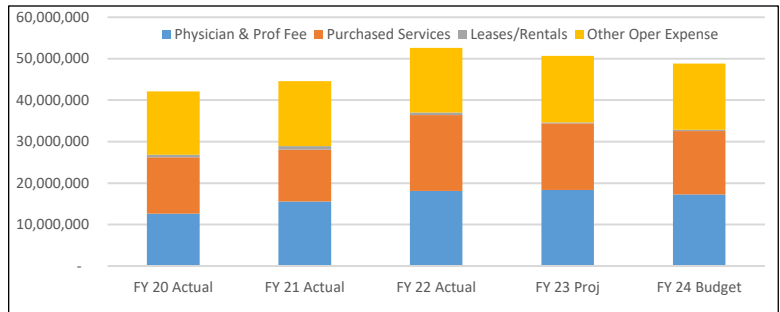
### Supplies

A continued reduction in drug spend due to 340b savings and supply savings is realized by renegotiating current contracts, lowering supply expense to \$37.3M or 4.06% in FY2024 vs. FY2023 Projections.



### Physician/Professional Fees, Purchased Services, Leases and Other

Overall, this category of expenses is decreasing by 6.08% to \$17.2M due to the consolidation of Medical Oncology into Bay Area Hospital Operations, which lowers Purchased Services by eliminating the MSA Agreement. FY2023 also had higher-than-normal legal expenses due to the prolonged UFCW negotiations.

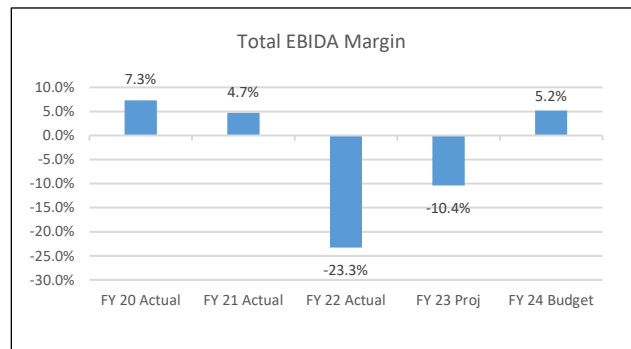


### Depreciation & Amortization

Depreciation is expected to hold near FY2023 amounts at \$11.9M due to limited major capital purchases.

### **Operating Summary**

Bay Area Hospital is projected to lose \$411.5K from operations in FY2024 on a Net Revenue base of \$232.6M. This represents a (.18%) overall margin. Operating EBDITA margin is budgeted to be 4.93% for FY2024 vs. a projected (11.2%) in FY2023. Overall, EBDITA is projected at 5.19% for FY2024.



### **Capital**

Capital equipment represents a request for \$4.72M in FY2024, which includes \$1M in contingency. A complete list of capital requests is in the schedules to follow. In addition, \$3.24M in capital approved in prior years still needs to be received. Therefore we are showing them as a capital carry forward for FY2024.

## BAH – FY2024 Budgeted Income Statement

|                                    | <u>FY 20 Actual</u>   | <u>FY 21 Actual</u>   | <u>FY 22 Actual</u>    | <u>FY 23 Projection</u> | <u>3Q FY23 x 4</u>     | <u>FY 24 Budget</u>   |
|------------------------------------|-----------------------|-----------------------|------------------------|-------------------------|------------------------|-----------------------|
| <b>Gross Patient Revenue</b>       |                       |                       |                        |                         |                        |                       |
| Inpatient Revenue                  | \$ 213,956,585        | \$ 228,928,159        | \$ 236,510,653         | \$ 249,619,837          | \$ 264,645,855         | \$ 277,558,723        |
| Outpatient Revenue                 | \$ 291,807,513        | \$ 335,739,524        | \$ 326,951,349         | \$ 328,345,063          | \$ 344,722,554         | \$ 378,661,834        |
| <b>Total Gross Patient Revenue</b> | <b>\$ 505,764,098</b> | <b>\$ 564,667,683</b> | <b>\$ 563,462,002</b>  | <b>\$ 577,964,900</b>   | <b>\$ 609,368,409</b>  | <b>\$ 656,220,557</b> |
| Deductions                         | \$ 309,117,722        | \$ 346,699,262        | \$ 376,006,806         | \$ 372,333,670          | \$ 395,491,766         | \$ 418,775,300        |
| Bad Debt                           | \$ 4,884,050          | \$ 4,714,398          | \$ 3,526,733           | \$ 3,879,197            | \$ 3,651,437           | \$ 3,169,471          |
| Charity                            | \$ 2,875,005          | \$ 3,459,195          | \$ 1,979,272           | \$ 3,707,064            | \$ 3,325,855           | \$ 3,169,471          |
| <b>Total Deductions</b>            | <b>\$ 316,876,776</b> | <b>\$ 354,872,856</b> | <b>\$ 381,512,811</b>  | <b>\$ 379,919,931</b>   | <b>\$ 402,469,059</b>  | <b>\$ 425,114,241</b> |
| gross margin                       | 37.3%                 | 37.2%                 | 32.3%                  | 34.3%                   | 34.0%                  | 35.2%                 |
| <b>Net Healthcare Revenue</b>      | <b>\$ 188,887,322</b> | <b>\$ 209,794,827</b> | <b>\$ 181,949,190</b>  | <b>\$ 198,044,969</b>   | <b>\$ 206,899,350</b>  | <b>\$ 231,106,316</b> |
| Other Oper Revenue                 | \$ 1,616,733          | \$ 1,262,698          | \$ 1,387,189           | \$ 3,112,163            | \$ 4,611,908           | \$ 1,520,628          |
| <b>Total Net Revenue</b>           | <b>\$ 190,504,055</b> | <b>\$ 211,057,525</b> | <b>\$ 183,336,380</b>  | <b>\$ 201,157,133</b>   | <b>\$ 211,511,259</b>  | <b>\$ 232,626,944</b> |
| <b>Expenses</b>                    |                       |                       |                        |                         |                        |                       |
| Salaries                           | \$ 74,583,192         | \$ 80,541,562         | \$ 79,063,347          | \$ 82,052,974           | \$ 80,230,934          | \$ 80,077,551         |
| Contract Labor                     | \$ 4,248,794          | \$ 15,694,377         | \$ 30,653,561          | \$ 28,326,992           | \$ 29,648,066          | \$ 29,404,602         |
| Benefits                           | \$ 23,199,976         | \$ 25,651,000         | \$ 22,195,732          | \$ 23,722,703           | \$ 26,096,674          | \$ 25,532,082         |
| Physician & Prof Fee               | \$ 12,665,438         | \$ 15,531,428         | \$ 18,102,051          | \$ 18,359,447           | \$ 18,732,515          | \$ 17,243,950         |
| Supplies                           | \$ 38,562,626         | \$ 46,134,039         | \$ 42,815,001          | \$ 38,866,159           | \$ 39,311,780          | \$ 37,286,512         |
| Purchased Services                 | \$ 13,525,055         | \$ 12,503,620         | \$ 18,269,771          | \$ 16,047,323           | \$ 16,106,323          | \$ 15,329,875         |
| Leases/Rentals                     | \$ 671,012            | \$ 916,295            | \$ 630,679             | \$ 232,524              | \$ 198,515             | \$ 304,515            |
| Depreciation/Amortizatio           | \$ 7,602,199          | \$ 8,215,218          | \$ 11,939,894          | \$ 11,931,556           | \$ 11,961,340          | \$ 11,880,000         |
| Other Oper Expense                 | \$ 15,224,377         | \$ 15,673,133         | \$ 15,591,879          | \$ 16,029,847           | \$ 16,010,115          | \$ 15,979,373         |
| <b>Total Operating Expenses</b>    | <b>\$ 190,282,669</b> | <b>\$ 220,860,672</b> | <b>\$ 239,261,915</b>  | <b>\$ 235,569,524</b>   | <b>\$ 238,296,262</b>  | <b>\$ 233,038,460</b> |
| <b>Net Operating Income</b>        | <b>\$ 221,386</b>     | <b>\$ (9,803,147)</b> | <b>\$ (55,925,536)</b> | <b>\$ (34,412,391)</b>  | <b>\$ (26,785,003)</b> | <b>\$ (411,516)</b>   |
| Investment Income                  | \$ 4,801,770          | \$ (698,779)          | \$ (7,237,699)         | \$ 500,924              | \$ 4,687,104           | \$ -                  |
| Interest                           | \$ -                  | \$ -                  | \$ -                   | \$ -                    | \$ -                   | \$ -                  |
| Other Nonop Inc(Exp)               | \$ 1,259,809          | \$ 12,152,908         | \$ 8,518,156           | \$ 1,039,833            | \$ 698,315             | \$ 600,000            |
| Interest Expense                   | \$ (187,640)          | \$ (719,582)          | \$ (1,378,152)         | \$ (2,540,623)          | \$ (2,427,222)         | \$ (2,400,000)        |
| <b>Net Income</b>                  | <b>\$ 6,095,325</b>   | <b>\$ 931,400</b>     | <b>\$ (56,023,230)</b> | <b>\$ (35,412,257)</b>  | <b>\$ (23,826,806)</b> | <b>\$ (2,211,516)</b> |
| EBIDA                              | \$ 13,885,164         | \$ 9,866,200          | \$ (42,705,185)        | \$ (20,940,079)         | \$ (9,438,244)         | \$ 12,068,484         |
| EBIDA Margin                       | 7.3%                  | 4.7%                  | -23.3%                 | -10.4%                  | -4.5%                  | 5.2%                  |
| Acute Patient Days                 | 24,575                | 25,528                | 25,566                 | 22,609                  | 24,008                 | 25,591                |
| Adjusted Patient Days              | 58,092                | 62,301                | 60,908                 | 52,348                  | 55,280                 | 60,504                |
| Gross Revenue per APD              | \$ 8,706              | \$ 9,064              | \$ 9,251               | \$ 11,041               | \$ 11,023              | \$ 10,846             |
| Net Pat. Revenue per APD           | \$ 3,252              | \$ 3,367              | \$ 2,987               | \$ 3,783                | \$ 3,743               | \$ 3,820              |
| Total FTE's                        | 909                   | 985                   | 965                    | 937                     | 958                    | 900                   |
| Personnel % of Net Pat. Rev        | 54.0%                 | 58.1%                 | 72.5%                  | 67.7%                   | 65.7%                  | 58.4%                 |

## FY2024 Capital

| CC-Desc             | Item Description   | Qty | Total Budget<br>Requested Am |
|---------------------|--|-----|------------------------------|
| 111000 - ICU        | Spacestation for 4 infusion pumps                          | 3   | \$ 9,000                     |
| 11110 - IMCU        | Spacestation for 4 infusion pumps                          | 2   | \$ 6,000                     |
| 11140 - FBC         | Labor Beds   | 3   | \$ 61,301                    |
| 11140 - FBC         | Infant Radiant Warmer                                      | 3   | \$ 64,047                    |
| 11140 - FBC         | Skytron Lights & install                                   | 8   | \$ 139,415                   |
| 12100 - Emergency   | Stryker Stetcher   | 5   | \$ 90,000                    |
| 12130 - OR          | Headlight and light source                                 | 1   | \$ 7,689                     |
| 12130 - OR          | OR Booms   | 6   | \$ 161,029                   |
| 12130 - OR          | Hysteroscopy Set   | 1   | \$ 10,530                    |
| 12130 - OR          | Ultrasonic Washer  | 1   | TBD                          |
| 12170 - Cath Lab    | New CCL Architech & Engineering costs                      | 1   | \$ 200,000                   |
| 12180 - Rad         | C-Arm  | 1   | \$ 196,222                   |
| 12180 - Rad         | Mobile X-Ray Unit  | 1   | \$ 125,000                   |
| 12200 - Ultrasound  | Thophon2 High Level Disinfection                           | 2   | \$ 26,400                    |
| 12200 - Ultrasound  | Echo Unit  | 1   | \$ 195,217                   |
| 12210 - MRI         | MRI compatible pt monitoring system                        | 1   | \$ 86,015                    |
| 12250 - Rad Onc     | Sabella Flex Supine Breast and Thorax Positioning System & | 2   | \$ 21,744                    |
| 12250 - Rad Onc     | Aria   | 1   | TBD                          |
| 12290 - RT          | V60 Bipap  | 15  | \$ 16,000                    |
| 18110 - Maintenance | Parking Lot Lighting                                       | 1   | \$ 163,360                   |
| 18110 - Maintenance | Airco Boilers (heat system for towers)                     | 1   | \$ 195,000                   |
| 18110 - Maintenance | Airhandler 2A & 3  | 1   | \$ 270,728                   |
| 18110 - Maintenance | SiIox/Penical Direct Access                                | 1   | \$ 30,000                    |
| 18120 - Security    | HUGS System  | 1   | \$ 273,350                   |
| 18190 - IT          | Igel UD3 Thin Client                                       | 130 | \$ 71,500                    |
| 18190 - IT          | Perimeter Firewalls  | 2   | \$ 100,000                   |
| 18190 - IT          | Exagrid  | 1   | \$ 50,390                    |
| 18190 - IT          | Repacement Servers for Vmware                              | 16  | \$ 395,946                   |
| 18190 - IT          | PC hardware refresh  | 1   | \$ 60,000                    |
| 18250 - HR          | Kronos Workforce Central Replacement                       | 1   | \$ 471,316                   |
| 22130 - Med Onc     | Infusion Chairs  | 3   | \$ 18,000                    |
| 22150 - Wellness    | Massage Chairs (Grant funded)                              | 4   | \$ 18,392                    |
| House Wide          | Replacement office chairs                                  | 100 | \$ 25,000                    |
| multi               | Bladder Scanner  | 1   | \$ 119,548                   |
| multi               | EPIC Vitals Interface-welsh allen                          | 1   | \$ 43,364                    |
|                     | CONTINGENT   |     | \$ 1,000,000                 |
|                     |  |     | <b>\$ 4,721,502</b>          |

## FY2024 Capital Carry Forward

| CC-Desc                         | Item Description   | TAG Authorized Amount |
|---------------------------------|--|-----------------------|
| 8060 - Engineering Maintenance  | Facility Refresh for Family Housing Building at BACC   | \$ 250,000.00         |
| 18110 - Engineering/Maintenance | Facility Maintenance Fund-Storage Bldg   | \$ 70,000.00          |
| 12300-Lab/Clinical              | Chemistry Analyzers - Operating lease  | \$ 1,081,607.00       |
| 18130-Bio-Med                   | Add ICU12 Beds to REV C Phillips Server  | \$ 137,377.00         |
| 18190-Information Services      | Replace Nurse Call System Phones   | \$ 174,784.00         |
| 12130 - OR                      | Urology Laser  | \$ 121,099.00         |
| 11100 - ICU                     | SPMRKIT SpaceStation MRI: Includes: 1- Space MRI Station with Tolley, 1- Tether &Power Cord US | \$ 40,000.00          |
| 18110 - Engineering             | Nurse Call System for OPI and FBC  | \$ 325,000.00         |
| 12300 - Lab                     | Micrscan   | \$ 85,350.00          |
| 12140 - Short Stay / Endo       | Sterilizers x 2  | \$ 92,390.00          |
| 12160 - Sterile Processing      | Washers x 2  | \$ 414,136.00         |
| 18240 - Materials               | Bariatric Bed with Low Air Loss Mattress x 3   | \$ 86,600.00          |
| 12160 - Sterile Processing      | Sterilizers x 2  | \$ 363,281.00         |
|                                 |  | \$ 3,241,624.00       |