



FY2026 Budget
July 1, 2025 – June 30, 2026



FY2026 Budget Message

Overview

We are pleased to present the Fiscal Year 2026 (FY2026) budget from July 1, 2025 to June 30, 2026. The budget reflects a continued commitment to improving Bay Area Hospital's (BAH) financial position and operating margins.

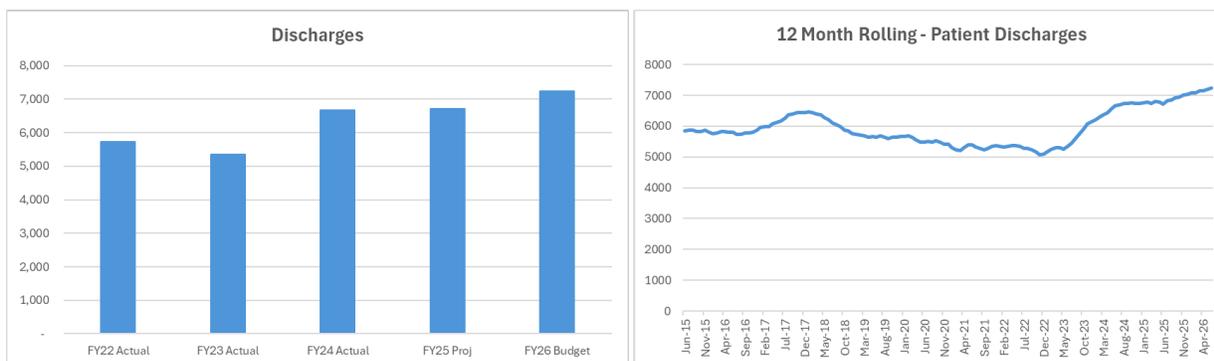
Bay Area Hospital ended FY2022 with a (\$60.5M) loss from Operations. In FY2023 the operating loss fell to (\$32.8M) loss from Operations. FY2024 continued the financial improvement with an Operating loss of (\$6.7M). In FY2025 the hospital has experienced some challenges and uncertainties which impacted the turn-around temporarily resulting in a projected Operating Loss of (\$19.9M). The budget for FY2026, due the cumulative efforts of the staff, management team and executive teams, has the hospital's financial turn-around back on the track with an operating income of \$0.2M.

The driving force behind the turn-around from an Operating loss of (\$60.5) to an Operating income of \$0.2M over the course of 4 years has been: 1) expense discipline and containment, 2) targeted growth in volumes 3) adaptation to new challenges. As we walk through the FY2026 Budget categories and assumptions below, we'll get a better insight into the dramatic turn-around that is taking place.

Volume Assumptions

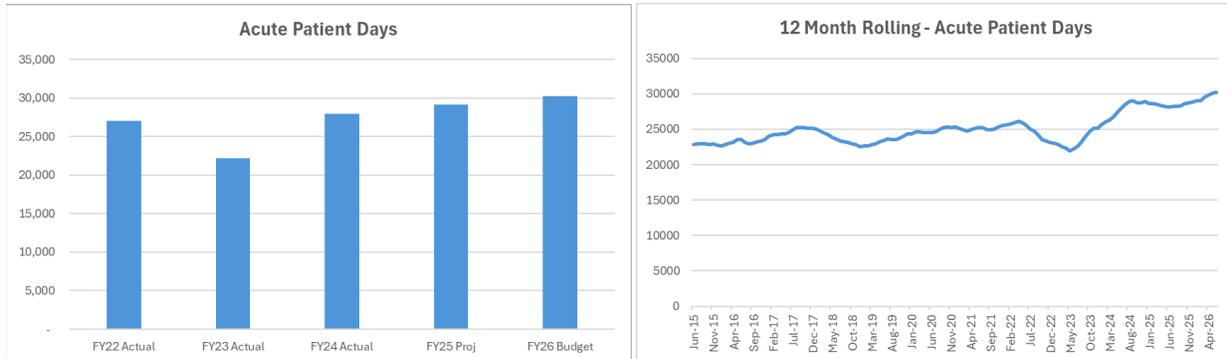
Discharges

Acute Inpatient Discharges are expected to increase to 7,232 in FY2026 up from 6,723 projected for FY2025. This 7.6% increase is driven by the a) assumption that Acute Psychiatric discharges will see a modest increase vs FY2025 as census was capped for part of FY2025 and b) strength in volumes of admitted patients as seen in the Med/Surg floors of BAH over the last 6 months will continue into the new fiscal year.

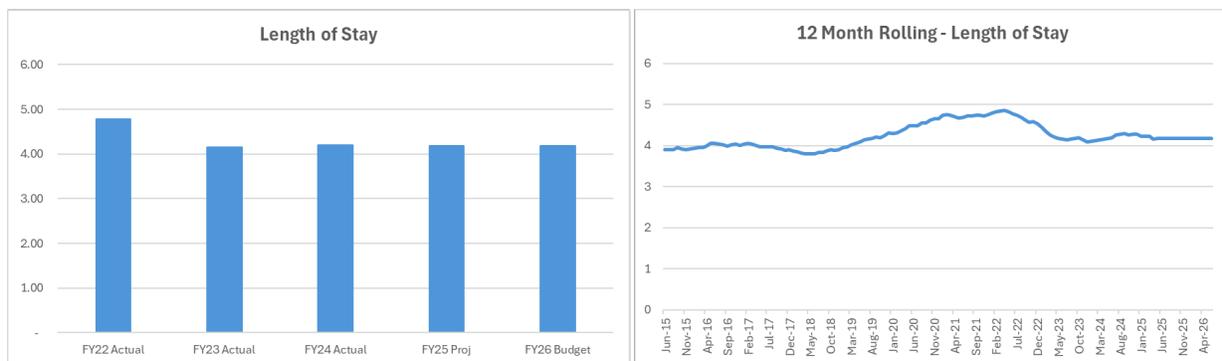


Patient Days and Length of Stay

Acute Patient Days are projected to increase to 30,232 or 3.6% over FY2025. The increase is equivalent to an additional 2.7 patients per day spread out between the APU and Med/Surg floors.

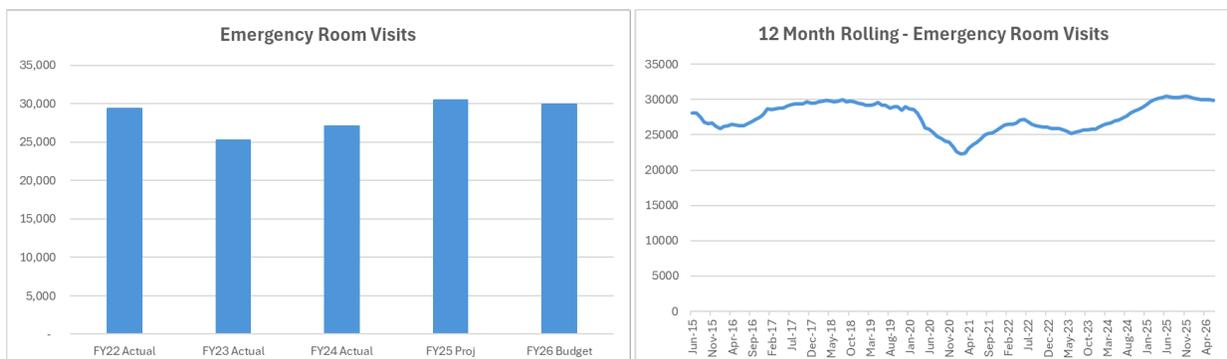


The ratio of Patient Days to Discharges, or Length of Stay (LOS) is expected to remain steady at 4.18 days in FY2026 which is similar to recent years. This ratio keeps BAH at the ratios seen prior to the Covid pandemic.



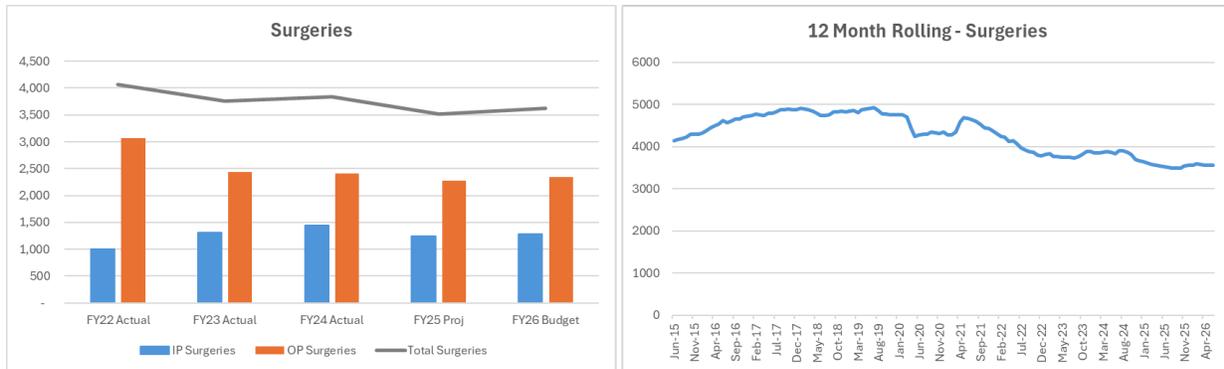
Emergency Room Visits

Emergency room volumes are also projected to stabilize in FY2026. FY2024 saw Emergency room visits increase to just over 27k and the are projected to end FY2025 at 30k visits and maintaining that level in FY2026. This level of Emergency room visits is the highest BAH has seen, except for a few months during the peak of the COVID Pandemic.



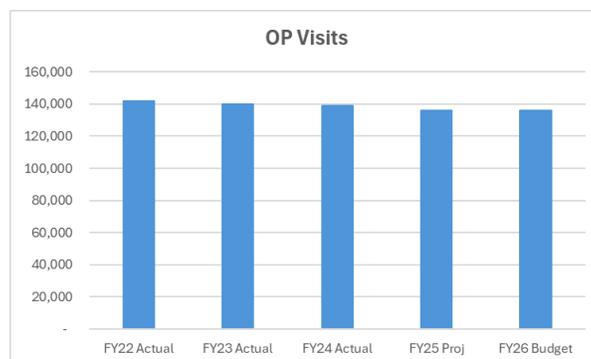
Surgeries

FY2026 is expected to run with on par with FY2025, normalized for a mid-year anomaly, in the operating room number of surgeries they perform; going from a projected 3,519 for FY2025 to 3,623 in FY2026. As a reminder, 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. Today only a few of eye surgeries are performed at BAH each month.



Outpatient Registration

Outpatient volumes are budgeted to remain fairly flat in FY2026 at 135,801. In fact, the outpatient volume declined slightly in FY2025 as lab volume decreased moderately while Wound Care, Prefontaine Clinic, and Orthopedic Clinic volumes increased. Imaging volumes are projected to remain stable in FY2026.



The graph below is a summary of key departments and their overall budget statistic:

Department	Volume Metric	FY22 Actual	FY23 Actual	FY24 Actual	FY25 Proj	FY26 Budget	FY25 vs FY26 % Change
IP Unit - Med/Surg Beds	Equiv Patient Days	23,829	19,018	25,504	25,147	26,095	3.8%
11140 Family Birth Center	Equiv Patient Days	2,474	2,511	2,432	2,537	2,457	-3.1%
11150 Acute Psychiatric Unit	Equiv Patient Days	2,319	1,851	2,247	2,756	2,908	5.5%
12100 Emergency Room	Visits	25,768	25,320	27,133	30,504	30,317	-0.6%
12105 Prefontaine Cardiology Clinic	Clinic Visits	13,192	12,295	10,525	9,905	11,219	13.3%
12130 Operating Room	OR Minutes	331,543	344,407	320,640	310,196	314,370	1.3%
12170 Cardiac Cath Lab	Cases	1,168	1,144	1,232	1,272	1,269	-0.2%
12180 Radiology-Diagnostic	Billed Procedures	23,048	23,559	27,199	29,375	29,077	-1.0%
12190 Mammography	Billed Procedures	11,141	14,488	15,758	15,726	15,810	0.5%
12200 Diagnostic Ultrasound	Billed Procedures	16,662	18,846	21,584	22,218	21,733	-2.2%
12210 MRI	Billed Procedures	3,026	3,289	3,756	3,844	3,668	-4.6%
12220 Cat Scanning	Billed Procedures	14,128	15,659	19,992	19,634	19,861	1.2%
12240 Nuclear Medicine	Billed Procedures	1,828	1,911	2,324	2,291	2,355	2.8%
12250 Radiation Therapy	Billed Procedures	7,601	10,239	9,965	8,636	8,270	-4.2%
12255 Wound Care Dept.	Visits	5,113	5,207	5,488	6,215	6,118	-1.6%
12260 Medical Oncology Support	Provider Visits	6,502	6,682	7,174	6,552	7,203	9.9%
12270 OP Infusion	Visits	3,960	4,447	4,980	6,252	6,048	-3.3%
12275 Med Oncology - Infusion	Visits	4,910	5,895	6,423	5,470	5,969	9.1%
12290 Respiratory Care	Weighted Units	34,485	29,842	32,032	35,472	35,475	0.0%
12300 Lab - Clinical	Billed Tests	378,513	384,904	459,982	447,926	448,333	0.1%
12330 Sleep Lab	Sleep Studies	237	474	387	220	234	6.4%
12340 Physical Therapy	Weighted Units	15,850	14,216	16,441	16,267	15,832	-2.7%
12350 Cardiac Rehab	Visits	3,107	3,148	3,547	4,304	4,303	0.0%
13115 BAH Orthopedic Clinic	Clinic Visits	-	-	1,022	2,090	2,264	8.3%
13170 Food & Nutritional Services	Meal Equiv.	NA	391,859	482,925	511,268	540,037	5.6%

Stabilization in volumes, normalized for one time events, with pockets of growth where the situation and environment allow, are the main themes in FY2026 in terms of volumes. Growth in the Orthopedic Clinic and Prefontaine Center are exciting prospects for the new year and Medical Oncology is expected to see some growth with some physician stabilization.

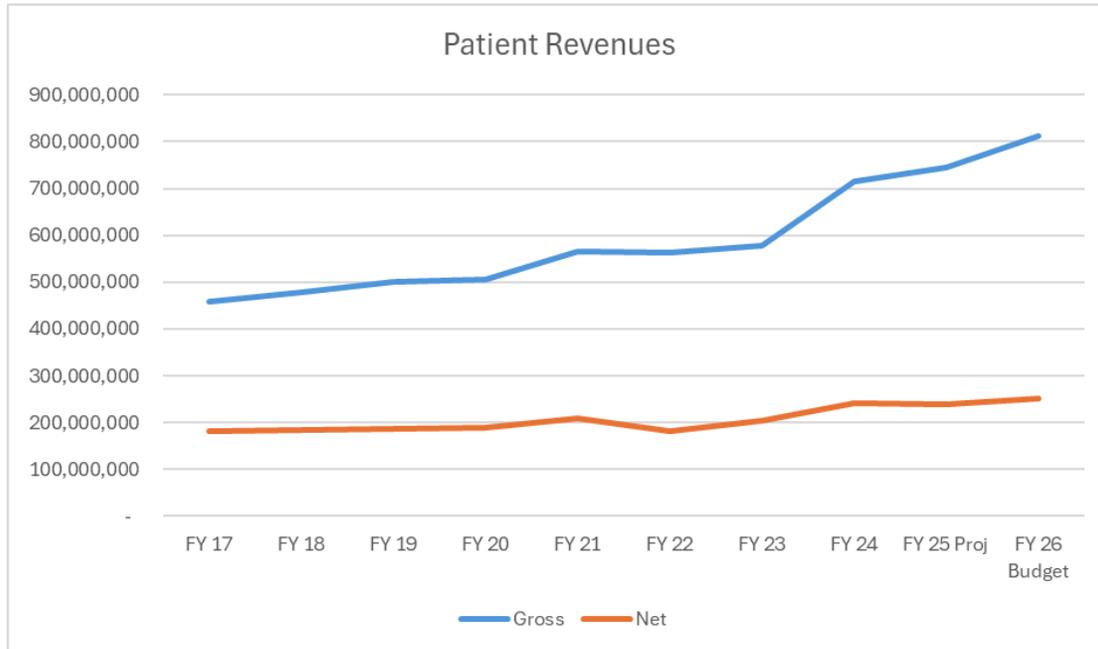
Gross Revenues

FY2026 Gross Revenues are forecasted to be \$811.7M, a 9.1% increase over the projected revenues of \$744.1M for FY2025. This increase is driven by an 6% price increase across most services as BAH catches up with regional peer pricing. Additionally, the hospital is seeing small volumes increases in select areas as shared in the previous pages.

	<u>FY22 Actual</u>	<u>FY23 Actual</u>	<u>FY24 Actual</u>	<u>FY25 Proj</u>	<u>FY26 Budget</u>
IP Revenue	236,510,653	244,910,615	306,255,773	308,006,638	335,096,898
OP Revenue	326,951,350	332,757,257	407,953,482	436,070,160	476,607,096
Total Gross	563,462,003	577,667,871	714,209,255	744,076,798	811,703,994
Total Deductions	382,808,649	372,571,246	473,825,325	506,005,189	559,666,443
Net Pat. Revenue	180,653,354	205,096,625	240,383,930	238,071,609	252,037,551

Net Revenues

Overall, Net Patient Revenue in FY2026 is budgeted to be \$252.0M, a 5.9% increase over the \$238.1M projected for FY2025. Driving factors for this improvement include some of the pricing increases making its way to net with commercial payers, new rates in some Managed Care Medicaid accounts, on-going work to reduce denials, get billing to nurse navigation, and the reduction of erroneous presumptive charity.



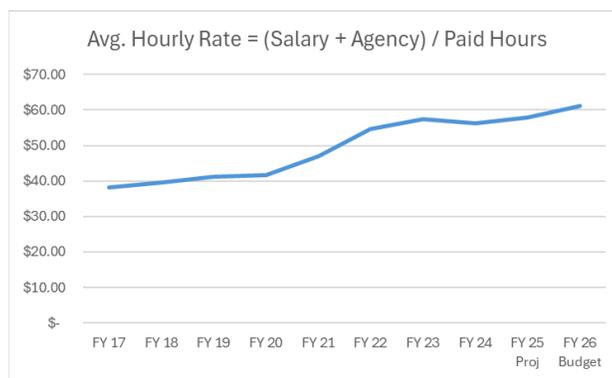
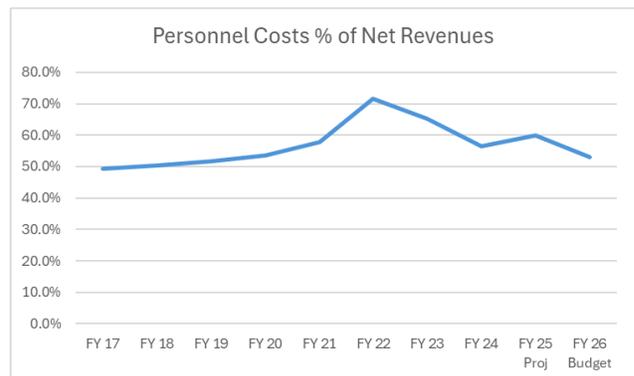
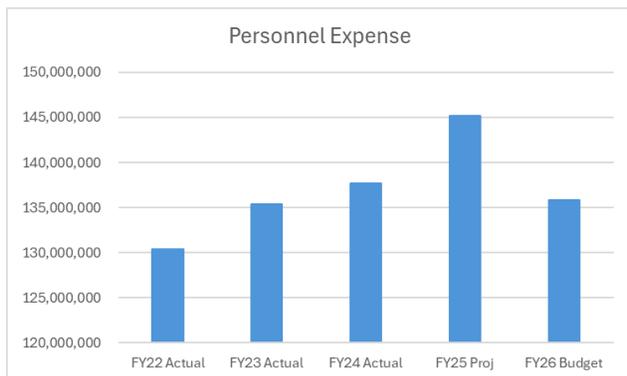
Other Operating Revenue

Other Operating Revenues are expected to be \$4.1M in FY2026. This amount is driven mainly by Pharmacy 340B Contracts (\$2.3M) and Cafeteria and coffee shop sales (\$1.3M) who's pricing is expected to increase by 10% in FY2026, along with a few various other items. No other significant changes are expected in FY2026 vs FY2025 excluding a few 1-time items in FY2025.

Personnel Expenses

Personnel Expense is comprised of Salaries, Benefits and Contract Labor. This remains the single largest expense for BAH. Overall, the expenses for these 3 categories combined for expenses that were 59.8% of net revenues in FY2025, an increase from 49.3% a decade ago. This increase has been driven by 2 main factors: 1) continued wage and benefit increases in the greater workforce and the hospitals need to stay competitive to attract and retain top notch employee and 2) increased regulatory mandates on ratios and staffing. The average hourly rate, which is salary plus agency expense divided by paid hours, has risen 12.5% since FY2022 and 61% since FY2017. This wage growth, coupled with slower net revenue growth, has led to the creeping up of personnel expenses as a percentage of net revenues, and contributed to the financial challenges of the hospital.

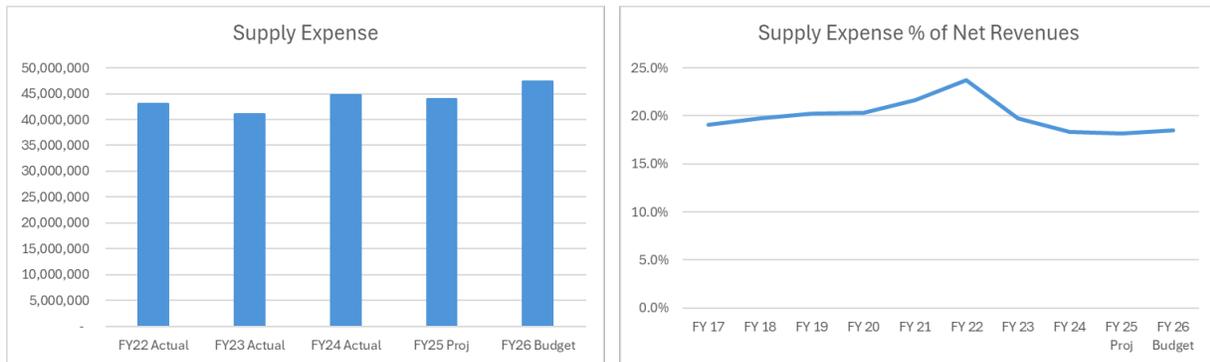
This is a large area of focus in the FY2026 budget, as the hospital looks to get its personnel costs as a percentage of net revenues back down in line with pre-pandemic years. The hospitals executive and management teams are targeting a leaning of staff to get personnel expenses back down to 53% in FY2026, a major step in improving overall hospital financial performance and ability to reinvest in needed clinical care capital expenditures. If we are able to receive additional Medicaid funding then we potentially might not have to adjust labor as much.



Supplies

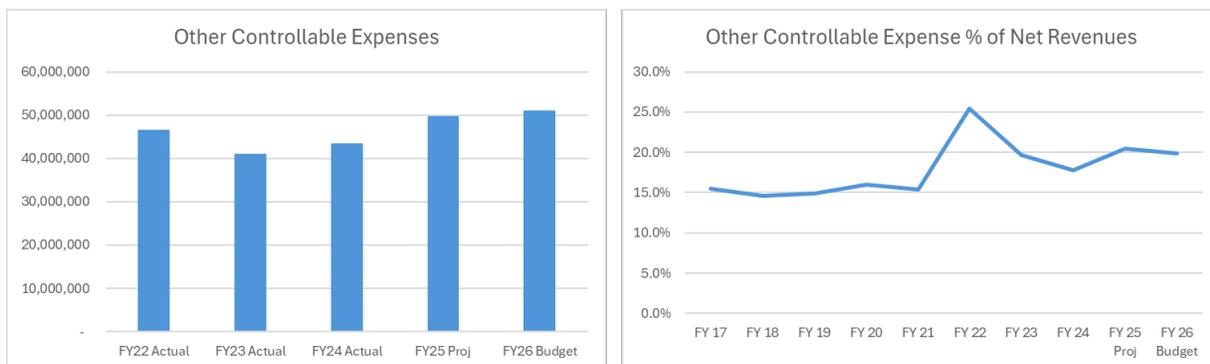
Supplies are the second largest cost to BAH behind Personnel Expense. Supplies are expected to rise 7.4%. This 7.4% is split up as 3.9% in volume related increases and 3.5% due to inflationary increases.

This has been another major part of Bay Area Hospital's financial turn-around. A never-ending commitment to finding efficiencies and better ways to use resources, has allowed the hospital to reduce supply expenses down to just 18% of net revenues in FY2025 and FY2026, compared to a high of 24% at the height of the pandemic local in FY2022 and even below the 19-20% seen pre-pandemic.



Other Controllable Expenses

Other controllable expenses are made up of Physician and Pro Fees, Purchased Services, and Other Operating Expenses. Overall, this category of expenses is expected to increase by 2.5% in FY2026 over FY2025. This category represents 19.9% of net revenues in FY2026 down from a height of 25% at the height of the pandemic but still higher than 15-16% range before the pandemic. The main drivers of for the percentage increase over the past decade have been the fees related to upgrading to the EPIC and WorkDay platforms in FY2021 and the outsourcing of some revenue cycle and collection functions to Savista in FY2025.



Interest Expense

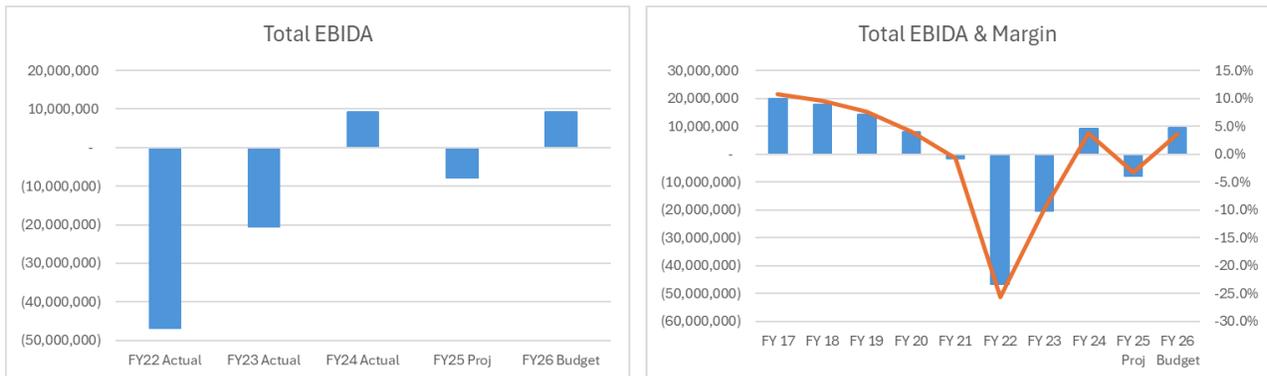
Interest expenses is budgeted to be \$3.0M in FY2026, up from the \$2.3 to \$2.5 range of the last 3 fiscal years, as the interest rates rise due the hospital recent financial difficulties.

Other Non-Operating Income

Other non-operating income is budgeted to be 488k as the Kid's Hope Center continues to receive grant and other funding to cover their operating costs.

Total EBIDA

Bay Area Hospital FY2026 budget shows a total EBIDA (Earnings before Interest, Depreciation and Amortization) of \$9.3M. This is a good proxy for the amount the hospital has to pay its debt service (interest and principal payments) and reinvest into patient care capital needs (capital expenditures).



BAH – FY2026 Budgeted Income Statement

	(Thru April)					FY 26 Budget	% Increase vs FY25
	FY 22 Actual	FY 23 Actual	FY 24 Actual	FY 25 Annualized	FY 26 Budget		
Gross Patient Revenue							
Inpatient	\$ 236,510,653	\$ 244,910,615	\$ 306,255,773	\$ 308,006,638	\$ 335,096,898		8.8%
Outpatient	\$ 326,909,049	\$ 332,693,303	\$ 407,953,482	\$ 436,070,160	\$ 476,607,096		9.3%
(Blank)	\$ 42,301	\$ 63,954	\$ -	\$ -	\$ -		
Total Gross Patient Revenue	\$ 563,462,002	\$ 577,667,872	\$ 714,209,255	\$ 744,076,798	\$ 811,703,994		9.1%
Deductions	\$ 377,302,643	\$ 366,273,323	\$ 466,129,937	\$ 495,605,429	\$ 548,322,112		10.6%
Deduction % of Gross	67.0%	63.4%	65.3%	66.6%	67.6%		1.4%
Bad Debt	\$ 3,526,733	\$ 2,597,566	\$ 5,484,941	\$ 2,354,189	\$ 2,566,358		9.0%
Charity	\$ 1,979,272	\$ 3,700,357	\$ 2,210,447	\$ 8,045,572	\$ 8,777,973		9.1%
Total Deductions	\$ 382,808,649	\$ 372,571,246	\$ 473,825,325	\$ 506,005,189	\$ 559,666,443		10.6%
Net Healthcare Revenue	\$ 180,653,353.25	\$ 205,096,626	\$ 240,383,930	\$ 238,071,609	\$ 252,037,551		5.9%
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Net % of Gross	32.1%	35.5%	33.7%	32.0%	31.1%		-3.0%
Other Operating Revenue	\$ 1,417,189	\$ 2,516,596	\$ 3,616,189	\$ 4,544,783	\$ 4,069,069		-10.5%
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Total Net Revenue	\$ 182,070,542.38	\$ 207,613,221	\$ 244,000,119	\$ 242,616,391	\$ 256,106,621		5.6%
Expenses							
Salaries	\$ 79,063,347	\$ 82,568,363	\$ 87,043,162	\$ 97,784,886	\$ 89,865,646		-8.1%
Contract Labor	\$ 30,675,777	\$ 27,106,663	\$ 23,794,604	\$ 20,786,377	\$ 20,314,815		-2.3%
Benefits	\$ 20,620,518	\$ 25,676,276	\$ 26,834,637	\$ 26,557,853	\$ 25,614,922		-3.6%
Physician & Prof Fees	\$ 18,585,277	\$ 18,713,513	\$ 19,364,100	\$ 18,593,136	\$ 18,302,896		-1.6%
Supplies	\$ 43,128,162	\$ 41,070,423	\$ 44,758,548	\$ 44,058,883	\$ 47,315,401		7.4%
Purchased Services	\$ 22,313,803	\$ 17,003,178	\$ 19,039,903	\$ 26,138,993	\$ 26,661,610		2.0%
Lease/Rentals	\$ 462,023	\$ 229,365	\$ 186,175	\$ 228,173	\$ 200,405		-12.2%
Depreciation & Amortization	\$ 11,975,114	\$ 12,062,287	\$ 11,683,412	\$ 10,388,809	\$ 8,669,311		-16.6%
Other Operating Expense	\$ 15,759,568	\$ 15,994,552	\$ 18,022,991	\$ 17,998,926	\$ 18,991,427		5.5%
Total Operating Expense	\$ 242,583,589	\$ 240,424,619	\$ 250,727,532	\$ 262,536,035	\$ 255,936,433		-2.5%
Net Operating Income	\$ (60,513,047)	\$ (32,811,398)	\$ (6,727,414)	\$ (19,919,643)	\$ 170,188		-100.9%
Investment income (loss)	\$ (7,283,239)	\$ (1,091,923)	\$ 1,702,241	\$ 2,226,219	\$ -		-100.0%
Other Non-Operating							
Income(Expense)	\$ 9,019,950	\$ 1,340,012	\$ 2,477,328	\$ (612,990)	\$ 488,615		-179.7%
Interest expense	\$ (1,380,794)	\$ (2,535,806)	\$ (2,412,568)	\$ (2,259,967)	\$ (3,006,000)		33.0%
Total Non-operating Revenue	\$ 355,916	\$ (2,287,718)	\$ 1,767,001	\$ (646,738)	\$ (2,517,385)		289.2%
Net Income	\$ (60,157,130)	\$ (35,099,115)	\$ (4,960,412)	\$ (20,566,382)	\$ (2,347,197)		-88.6%

FY2026 Budget Key Income Statement Ratios

	(Thru April)					FY 26 Budget	% Increase vs FY25
	FY 22 Actual	FY 23 Actual	FY 24 Actual	FY 25 Annualized	FY 25 Annualized		
Total EBIDA	\$ (46,801,221)	\$ (20,501,023)	\$ 9,135,568	\$ (7,917,606)	\$ 9,328,114		
EBIDA Margin	-25.7%	-9.9%	3.7%	-3.3%	3.6%		
Acute Patient Days	27,074	22,216	27,948	29,171	30,232		3.6%
Adjustment Factor	2.38	2.36	2.33	2.42	2.42		
Adjusted Patient Days	64,501	52,401	65,177	70,471	73,230		3.9%
Worked Hours	1,796,481	1,712,058	1,763,196	1,829,971	1,612,774		-11.9%
Worked Hrs per APD	27.852	32.672	27.053	25.968	22.023		-15.2%
Paid FTE's	965.02	919.67	947.14	981.67	861.41		-12.3%
Rate per hour (Salary & Agency)	\$ 54.67	\$ 57.33	\$ 56.26	\$ 58.07	\$ 61.49		5.9%
Patient Realization Rate	32.06%	35.50%	33.66%	32.00%	31.05%		
Personnel % Net Revenue	71.6%	65.2%	56.4%	59.8%	53.0%		
Pro Fees % Net Revenues	10.2%	9.0%	7.9%	7.7%	7.1%		
Supplies % Net Revenue	23.7%	19.8%	18.3%	18.2%	18.5%		
Purchased Srvc % Net Revenue	12.3%	8.2%	7.8%	10.8%	10.4%		
Other Exp. % Net Revenues	8.7%	7.7%	7.4%	7.4%	7.4%		
Benefits % of Salaries & Wages	26.1%	31.1%	30.8%	27.2%	28.5%		
Contract Labor % of Personnel	23.5%	20.0%	17.3%	14.3%	15.0%		

Capital

Capital equipment represents a request for \$2.5M in FY2026, which includes \$1.25M in contingency.

FY2026 Capital

CC-Desc	Item Description	Total Budget Amount
18190 - IT	Igel UD3 Thin Client	\$ 214,500
12180 - Rad	Replacement of Gen Rad Room	\$ 370,000
18240 - Purchasing	Housewide Copiers/Printer replacement	\$ 625,000
	CONTINGENT	\$ 1,250,000
	FY2026 Total Routine Capital	\$ 2,459,500.00