



FY2024 Operating / Capital Budget Open Session

Dan Woods, Chief Executive Officer

Carlos Bohorquez, Chief Financial Officer

June 14, 2023

Table of Contents

The purpose of this presentation is to provide the Board an overview of the FY2024 operating & capital budget:

1. Volume, Revenue, Expense Categories and Consolidated Operating Budget
2. Proposed Motion



1. Volume, Revenue, Expense Categories and Consolidated Operating Budget

FY2024 Key Volume, Revenue and Expense Assumptions

Category	Item Description	FY2024 Assumption	Comments
Volume: Inpatient	Inpatient discharges	Projected Increase over FY2023: <ul style="list-style-type: none"> Mountain View: 2.3% Los Gatos: 0.9% TOTAL 2.1%	Based on Projections by Service Line Leaders and Market Growth
Volume: Outpatient	Outpatient encounters	Projected Increase over FY2023: <ul style="list-style-type: none"> Mountain View: 1.9% Los Gatos: 3.7% TOTAL: 2.4%	Based on Projections by Service Line Leaders and Market Growth
Revenue: Payor Mix	Based on Gross Charges	FY2024 Budget: Medicare: 49.0% Commercial: 40.0% Medi-Cal: 9.2% Other: 1.8%	See graph for trend information
Expense: Labor	Outside Labor	FY2024 Budget: \$34.4M compared to \$57.0M Projected for FY2023	Outside Labor reduction plans and Departmental Budget Review. See graph for trend information.
Expense: Labor	Overtime Percent	FY2024 Budget: 3.9% compared to 5.1% YTD	Improved FY2023 Trend and Departmental Budget Reviews. See graph for trend information.

Inpatient & Outpatient Volume Statistics

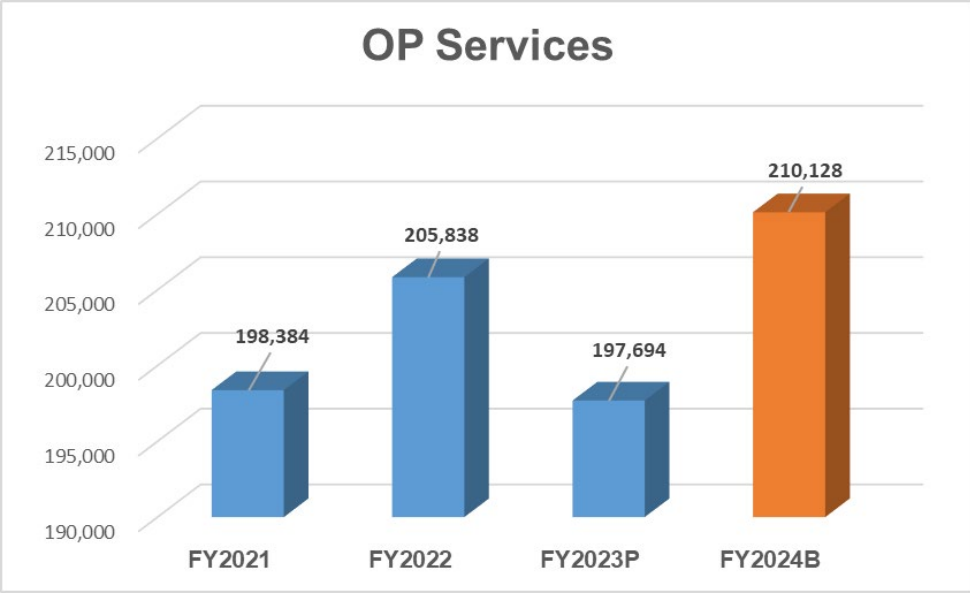
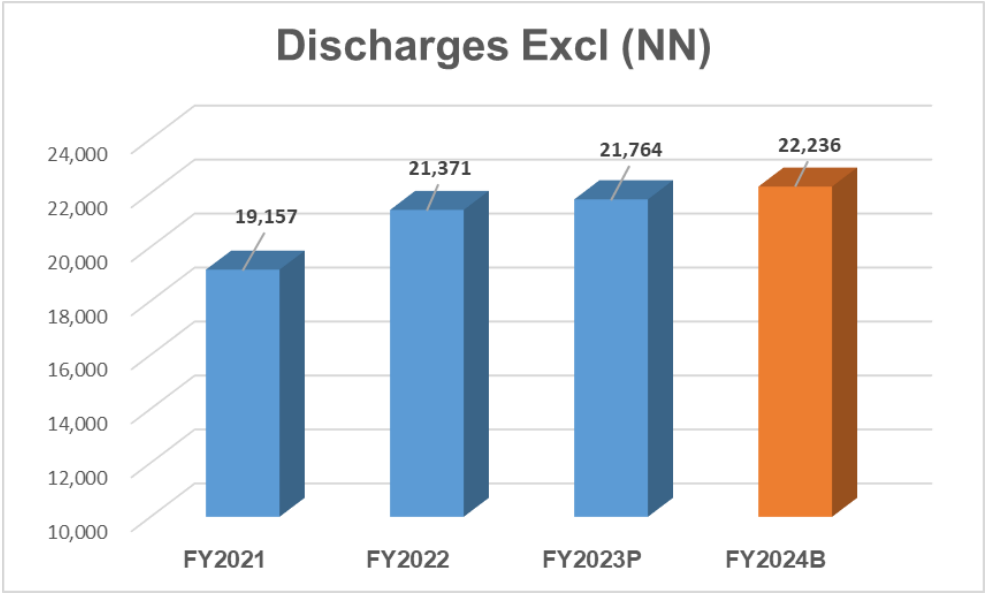
Key Statistical Indicators

Inpatient Discharges (Excl. Newborn)

- Solid growth in FY23 carried over into FY24 Budget

Outpatient Services

- Excluding laboratory services, outpatient volume is projected to increase YOY by 4.7%, primarily driven by growth in Emergency and Oncology services

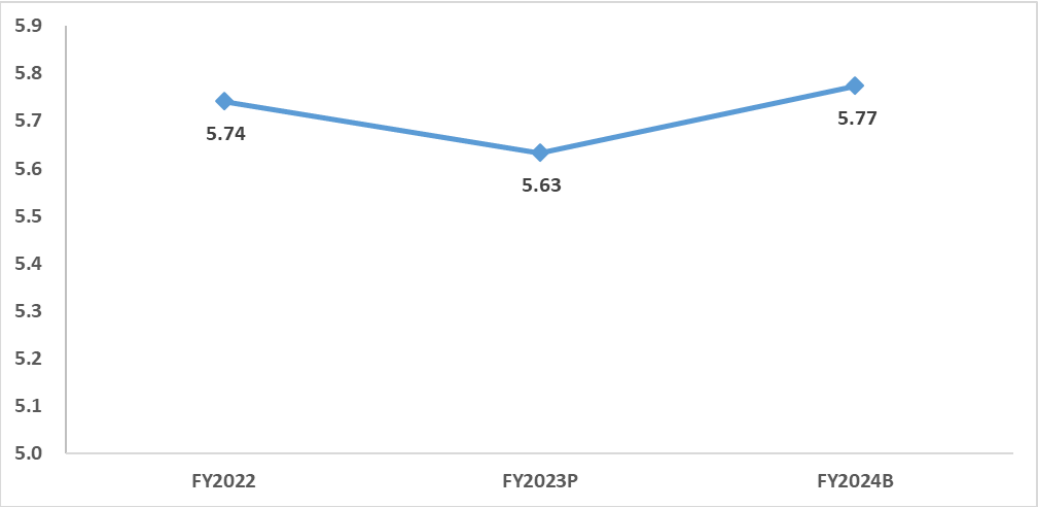


FY2024 Budget: Labor Analysis

Labor Analysis | FTEs

FY2024 Budgeted FTE Roll Forward (Hospital Only)	FTEs
FY2023 Paid FTEs (as of 2/28/2023)	3,284
Mid Year Additions	29
Volume Changes	28
FY2024 New FTE Approvals	34
Departmental Resets (LD and SPD)	11
FY2024 Paid FTE's	3,386

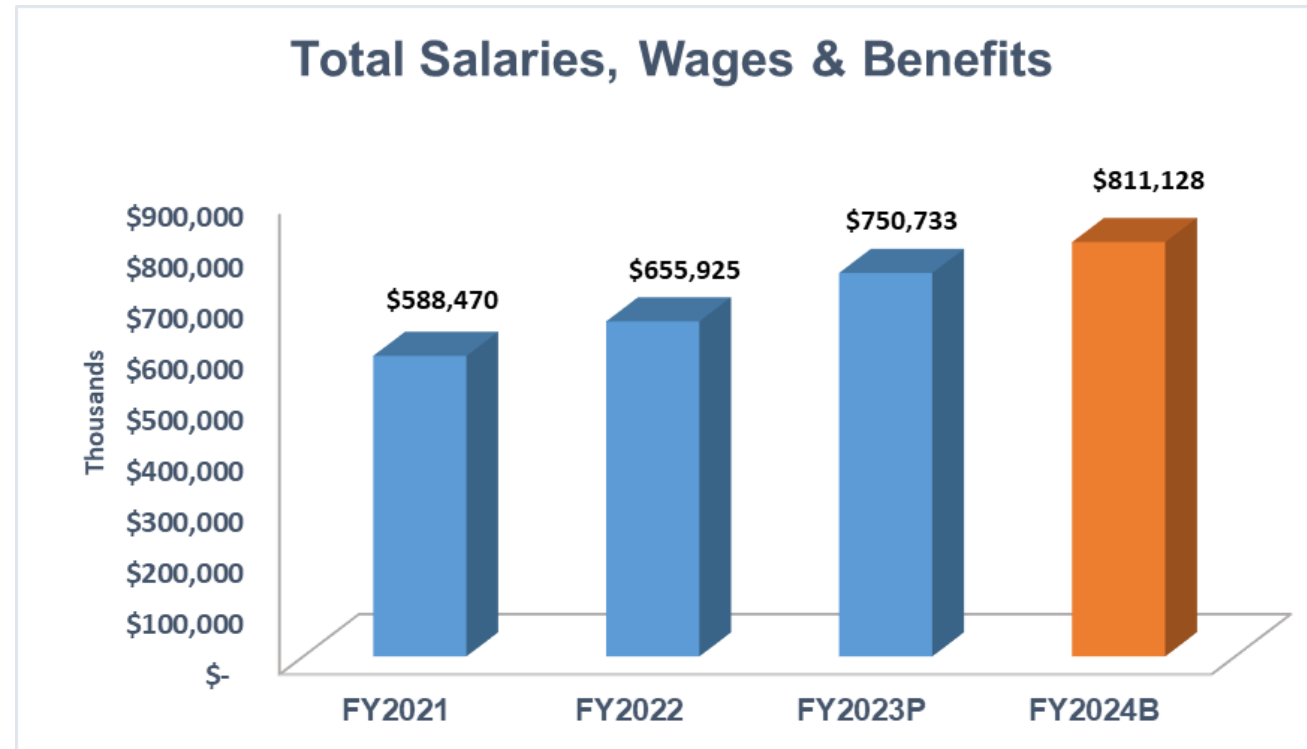
Hospital FTEs per AOB



FY2024 Budget: Labor Analysis

Labor Analysis | Salaries, Wages & Benefits

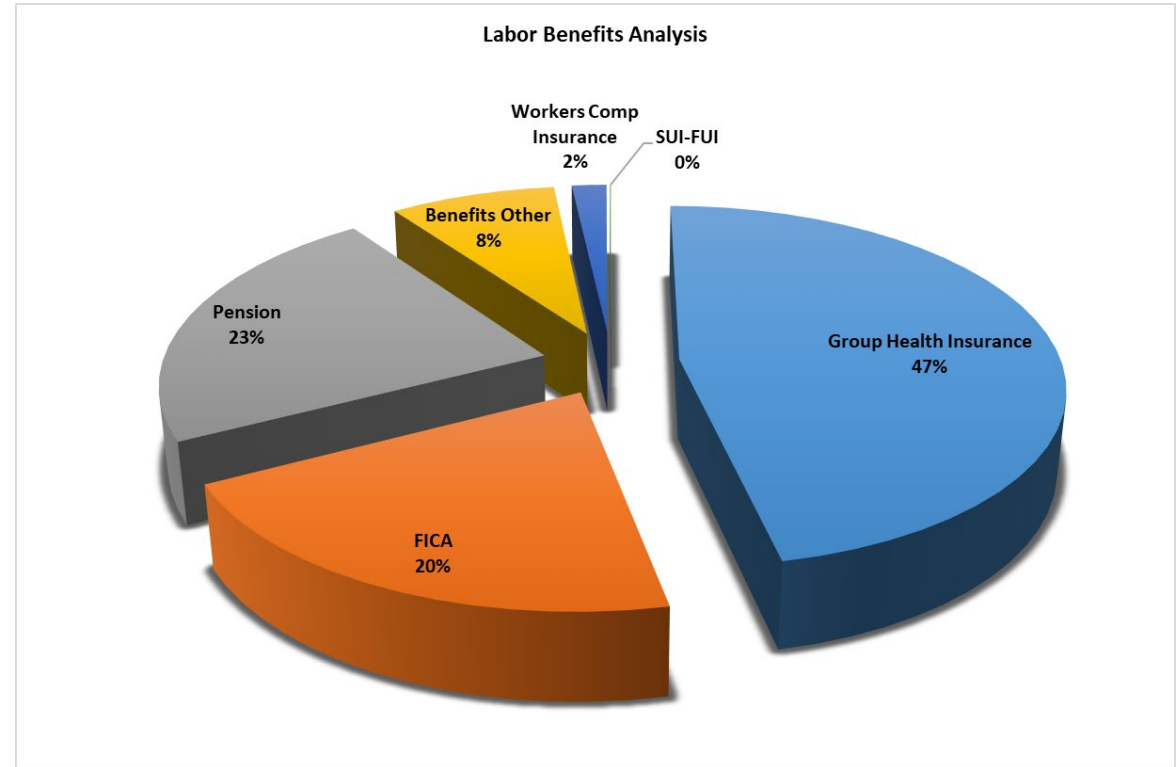
- FY2024 total Salaries, Wages, Contract Labor, and Benefits are increasing by \$60.4M, or 8.0%
- Salary and benefit increases include additional resources to support workforce stability



FY2024 Budget: Labor Analysis – Benefits Excl. PTO

Labor Analysis | Benefits (excl. PTO)

Type of Benefit	% of Total Benefit
Group Health Insurance	46.7%
FICA	20.7%
Pension	22.7%
Benefits Other	8.2%
Workers Comp Insurance	1.7%
SUI-FUI	0.1%
Total Benefit Spend (\$000's)	\$166,351



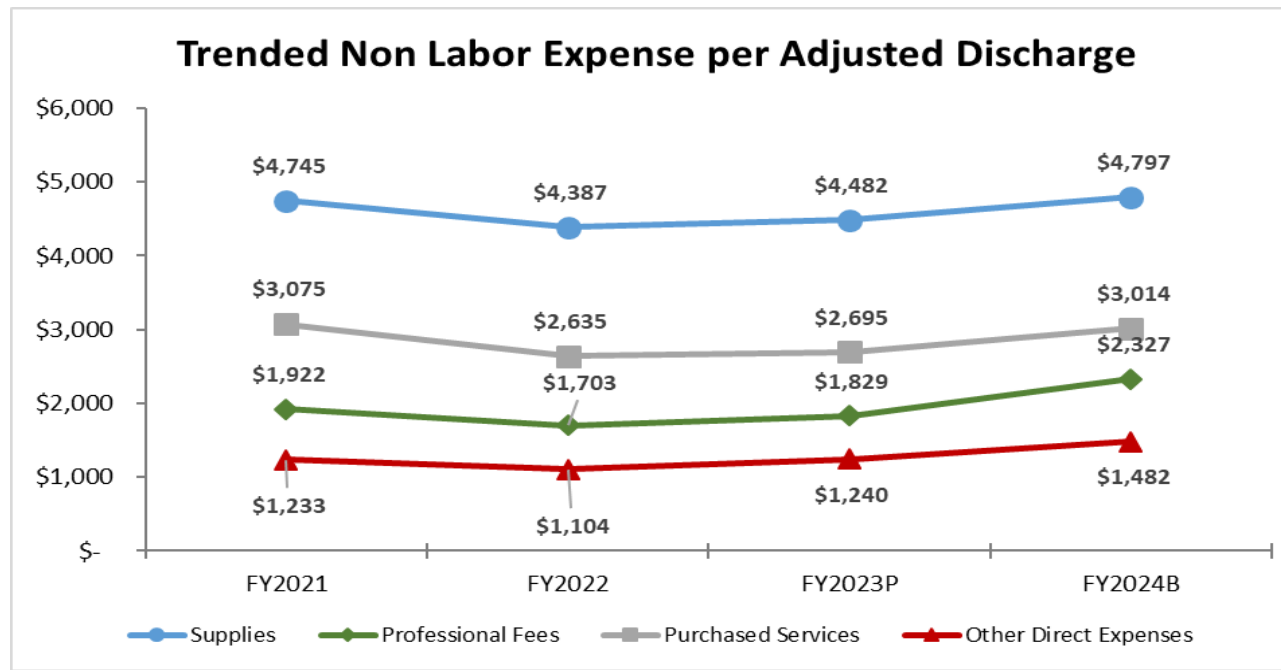
Significant Impacts

- Group Health Insurance premium increase
- FICA, Pension, and Worker’s Compensation are all increasing in proportion with salaries

FY2024 Budget: Non Labor Analysis

Non Labor Analysis | Summary

- FY2024 Non Labor expense is increasing \$23.7M, or 4.7%
- Primarily driven by:
 - Drug and Supply inflation
 - Increase of Specialty drug utilization in Infusion Centers
 - Resources in Purchased Services to support Strategic Initiatives

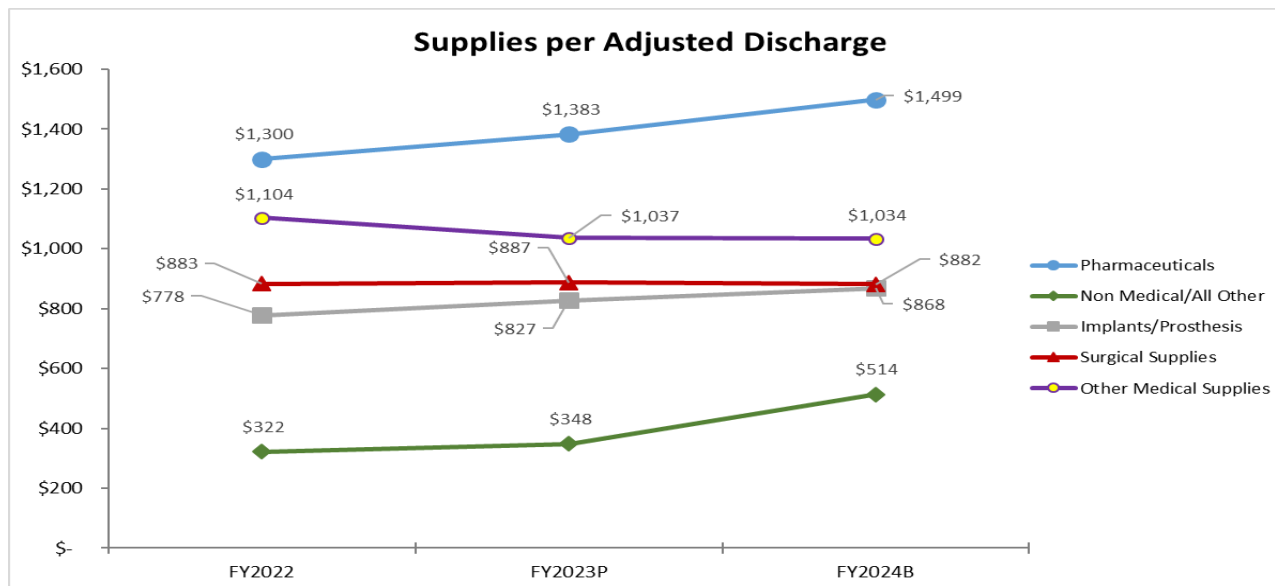


FY2024 Budget: Non Labor Analysis

Non Labor Analysis | Supplies

- Pharmaceutical increase driven primarily by:
 - Significant increases in Infusion services at Los Gatos campus
 - Inflation levels

FY2024 Supply Roll Forward	Expense (\$000's)
FY2023 Projected Supply Expense	188,823
Increase due to Volume and Utilization	13,263
Inflationary Increases	6,384
FY2024 Budgeted Supply Expense	208,470



Consolidated: Trajectory FY2019 – Budget FY2024

(Hospital Division, Medical Network, CONCERN and Foundation)

	Actual				Projected	Budget	
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	Pct Change
Charges	3,527,745,688	3,648,323,525	4,309,256,613	5,122,894,747	5,637,289,552	6,200,586,380	10.0%
Deductions	2,582,888,862	2,665,627,360	3,201,345,516	3,813,743,003	4,276,467,289	4,715,469,203	10.3%
Net Patient Revenue	944,856,826	982,696,164	1,107,911,098	1,309,151,743	1,360,822,263	1,485,117,177	9.1%
Other Operating Revenue	41,772,270	55,792,398	48,431,083	44,367,400	48,570,208	64,627,001	33.1%
Total Revenue	986,629,097	1,038,488,562	1,156,342,181	1,353,519,143	1,409,392,470	1,549,744,178	10.0%
Yield	26.8%	26.9%	25.7%	25.6%	24.1%	24.0%	-0.8%
Salaries, Wages & Benefits	507,117,287	542,418,226	588,470,319	655,924,794	750,732,512	811,127,719	8.0%
Supplies & Drugs	137,755,567	152,490,256	171,714,469	183,688,685	188,822,990	208,469,990	10.4%
All Other Expenses	159,608,948	223,132,621	225,467,420	227,861,863	242,833,451	296,561,435	22.1%
Depreciation	51,681,546	53,981,527	66,486,173	74,069,927	76,973,108	80,164,484	4.1%
Interest Expense	4,239,805	9,449,117	16,959,584	16,887,469	17,607,407	16,492,777	-6.3%
Intra-organization Allocation	-	-	-	-	0	(4)	-11025.0%
Total Operating Expense	860,403,152	981,471,747	1,069,097,965	1,158,432,737	1,276,969,468	1,412,816,401	10.6%
Operating Margin	126,225,945	57,016,815	87,244,216	195,086,406	132,423,003	136,927,777	3.4%
Operating Margin %	12.8%	5.5%	7.5%	14.4%	9.4%	8.8%	-6.0%
Operating EBIDA	182,147,296	120,447,459	170,689,973	286,043,801	227,003,518	233,585,038	2.9%
Operating EBIDA %	18.5%	11.6%	14.8%	21.1%	16.1%	15.1%	-6.4%

Proposed Motion

- Approval of the Fiscal Year 2024 operating and capital budget as recommended by the Finance Committee and Management