



## **FY2023 Operating and Capital Budget Joint Board & Finance Committee Meeting**

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The purpose of this presentation is to provide the Board an overview of the key assumptions and final FY2023 budget

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# 1. Introduction

# Executive Summary – FY2023 Operating and Capital Budget

Budget FY2023 lays out a plan for the coming year that maintains El Camino Health's strong performance, while making investments across the healthsystem

The plan includes the following:

1. Approved additional FTEs / funding for important needs: Cybersecurity, Clinical Education, Human Resources, High Reliability Organization initiative, Service Line Support and Performance Improvement
2. Maintains sufficient funding to continue our commitment to provide the best quality and patient experience to the residents of Silicon Valley and Santa Clara County
3. Continues deployment of capital to support sustainability of core business and fund facility and strategic needs of the organization
4. Maintains revenue cycle initiatives to ensure collections are consistent with expected reimbursement
5. Reflects management efforts to manage inflation through effective cost management and driving efficiency throughout the organization
6. Supports investment in supply chain initiatives to mitigate disruptions and supply shortages



## **2. FY2023 Budget Hospital Division: Key Assumptions**

# FY2023 Key Volume, Revenue and Expenses Drivers

Category	Item Description	FY2023 Budget Assumption
Volume: Inpatient	Inpatient discharges	Flat to FY2022 Annualized
Volume: Outpatient	Outpatient encounters	2.6% above FY2022 Annualized, excluding laboratory \$4.0% growth
Workforce	Salaries, Wages and Benefits Increase	Total Salaries, Wages, Contract Labor, and Benefits are increasing by \$44.1M, or 6.9%
Revenue	Increase In Total Net Patient Revenue	<ul style="list-style-type: none"> <li>• 5.75% overall effective rate increase</li> <li>• FY2022 bad debt and uncompensated care 0.21%; FY2023 Budget = 0.21%</li> </ul>
Expenses: Unit Increase Percent	Pharmacy	6.0%
Expenses: Unit Increase Percent	Supplies	5.0% - 7.0%
Investments	Return on Investment portfolio	3.0%



## **3. FY2023 Budget Income Statements - Consolidated Enterprise and Sensitivity Analysis**

# Consolidated Enterprise: FY2023 Operating Budget

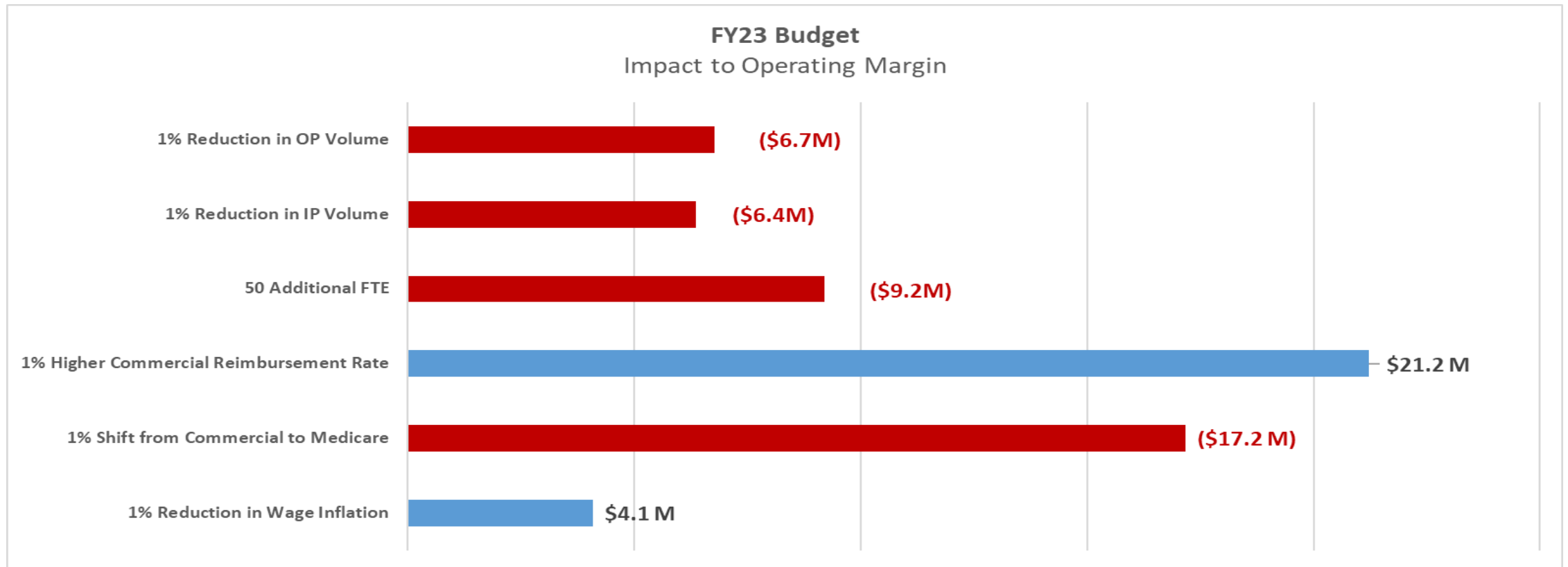
- FY2023 shows a slight deterioration over FY2022 performance which is attributed to workforce challenges, inflation and funding important operational needs / 2027 strategic plan

	FY2023 Budget				
	Hospitals	ECMHN	CONCERN	FOUNDATION	ENTERPRISE TOTAL
<b>Total Operating Revenue</b>	<b>1,340,084,349</b>	<b>58,704,208</b>	<b>8,865,180</b>	<b>-</b>	<b>1,407,653,737</b>
<b>Total Operating Expense</b>	<b>1,155,097,011</b>	<b>96,623,813</b>	<b>8,271,340</b>	<b>3,832,966</b>	<b>1,263,825,129</b>
<b>Operating Margin</b>	<b>184,987,338</b>	<b>(37,919,604)</b>	<b>593,840</b>	<b>(3,832,966)</b>	<b>143,828,608</b>
Operating Margin %	13.8%	-64.6%	6.7%		10.2%
<b>Operating EBIDA</b>	<b>271,113,582</b>	<b>(34,839,670)</b>	<b>774,712</b>	<b>(3,832,966)</b>	<b>233,215,658</b>
Operating EBIDA %	20.2%	-59.3%	8.7%		16.6%



# FY2023 Budget – Sensitivity Analysis

- Sensitivity scenarios include assumptions identified by management most at risk
- Analysis demonstrates that payor mix, additional FTEs have the most significant impact to operating margins
- Sensitivity analysis assumes no management intervention to manage the impact of changes to assumptions





## 4. Proposed Motion

## Proposed Motion

- To approve and adopt the Fiscal Year 2023 operating and capital budget as recommended by management