



**Nassau University Medical Center
A. Holly Patterson Extended Care Facility
Family Health Centers**



**NASSAU HEALTH CARE CORPORATION
& SUBSIDIARIES**

OPERATING BUDGET

FISCAL YEAR ENDED DECEMBER 31, 2018

Nassau Health Care Corporation and Subsidiaries
Operating Budget For Twelve Months Ending December 31, 2018
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EXECUTIVE SUMMARY

The proposed operating budget for 2018 reflects an operating profit of \$1.3 million. It is a comprehensive plan to improve the financial position of the corporation and ensure stability. 2018 will be a challenging year with decreases in Federal & State Aid. These reductions will be offset by revenue cycle enhancements as well as an increase in DSH Intergovernmental Transfer (IGT) and DSRIP revenue.

Net Patient Service Revenue (NPSR) is budgeted at \$420.5 million, which is a \$25.1 million increase from the 2017 projections. \$10.0 million of this increase is due to revenue cycle enhancements at the hospital and the A Holly Patterson nursing facility.

Other operating revenues include \$63.5 million for DSH IGT, an increase of \$5.7 million over 2017's estimate, \$21 million for the correctional facility operations, which reflects a full year's operations and \$38.5 million of DSRIP revenue which is \$16.1 million more than the 2017 projected amount. Offsetting items include a reduction of \$28.4 million in Federal & State aid as the related programs are winding down. Although these programs may be renewed (Value Based Payment Quality Improvement Program-VBP-QIP and Care Restructuring Enhancement Pilots Program – CREP), no revenue has been budgeted for 2018.

The budget includes increases to salaries and related fringe benefits and other expenses to provide services under the corrections contract for a full year. The 2018 consolidated salaries are projected to be \$272.8 million which includes contractual increases of 1.5%. Other expenses include a planned phase-in hiring of personnel for DSRIP related activities.

The 2018 budget will be an ongoing process. Management will be continually monitoring the assumptions contained in the budget to ensure the success of various initiatives, and reviewing areas of possible expense reduction and revenue enhancement throughout the year. To assure fiscal responsibility and accountability on behalf of NHCC, all expenditures and staffing requirements presented in this budget will be subject to continuous review and evaluation as needs dictate. The variances that do occur will be managed.

FACILITY SPECIFIC ASSUMPTIONS

Nassau University Medical Center

Revenue Assumptions

The budget assumes that 2018 inpatient volumes - discharges, patient days and length of stay will be relatively unchanged from 2017. The table below outlines historical discharge data:

Year	Discharge Volumes	% Change from Previous Year
2018 Budgeted	20,454	0.39%
2017 Projected	20,375	-1.23%
2016	20,629	-0.26%
2015	20,683	-0.23%
2014	20,730	-1.67%

Outpatient clinic volumes are budgeted to increase slightly from the 2017 level.

Overall, total operating revenues are expected to increase \$13.2 million, due primarily to the full year operations of the correctional facility and projected increases in Intergovernmental Transfer and DSRIP revenues offset by a decrease in Federal & State aid.

Expense Assumptions

Salary and Fringe Benefits expense is budgeted at \$344.4 million, an increase of \$24.1 million compared to 2017 projections. Approximately \$12.9 million of the increase is attributable to the corrections contract. This increase also reflects contractual adjustments of 1.5%.

Supplies and expenses are budgeted to remain relatively flat from the 2017 projected levels except for DSRIP expenses which are budgeted to increase by approximately \$8.0 million.

Depreciation expense is budgeted based upon historical information with consideration given to the current and future capital expenditure requirements and is relatively unchanged.

FACILITY SPECIFIC ASSUMPTIONS

A. Holly Patterson Extended Care Facility

Revenue Assumption

Total operating revenue is budgeted to increase by \$11.3 million from the projected 2017 amount. This increase includes revenue cycle enhancements of \$5.0 million. Occupancy levels are budgeted at an average daily census (ADC) of 493 for 2018 which approximates the 2017 level. Net patient revenue is projected to increase by \$14.0 million driven by revenue enhancements and improved case mix.

Expense Assumptions

Salary and Fringe Benefits are budgeted at \$55.6 million, an increase of \$3.2 million from the 2017 projected amounts. Supplies, expenses and utilities are budgeted at approximately the 2017 projected level.

Physician Faculty Practice Plan

The operations of the faculty practice plan are budgeted to remain at the level of 2017 operations.

SECTION TWO

OPERATING BUDGET

FISCAL YEAR ENDED DECEMBER 31, 2018

COMPARATIVE FINANCIAL STATEMENT
PRESENTATION

Nassau Health Care Corporation and Subsidiaries

Revenue & Expenses

Consolidated

(In Thousands)

	Audited FYE 12/31/2016	Projected FYE 12/31/2017	Budgeted FYE 1/1/2018
<u>Operating Revenues:</u>			
Net patient service revenue	\$ 392,734	\$ 395,366	\$ 420,502
<u>Other Operating Revenues:</u>			
NYS Intergovernmental transfer	60,325	57,828	\$ 63,500
DSRIP	30,727	22,399	\$ 38,460
Nassau County Billings	2,300	18,980	\$ 18,480
Corrections Contract	-	4,139	\$ 21,000
Federal & State Aid	34,243	43,552	\$ 15,173
Practice Plan Revenue	-	-	\$ -
Miscellaneous	45,014	30,366	\$ 30,097
Total Operating Revenues	565,343	572,630	\$ 607,212
<u>Operating Expenses:</u>			
Salaries	252,945	258,537	\$ 272,870
Fringe Benefits	124,709	126,652	\$ 140,579
Supplies	46,237	44,840	\$ 43,912
Expenses	95,346	103,262	\$ 112,230
Utilities	16,503	17,319	\$ 17,028
Depreciation Expense	21,150	19,273	\$ 19,274
Total Operating Expenses before OPEB & GASB 68	556,890	569,883	\$ 605,893
<u>Income (loss) before OPEB & GASB 68 expenses</u>	8,453	2,747	\$ 1,319
Employee benefits - OPEB	(32,463)	(34,405)	\$ (35,389)
NYS Actuarial Pension Adjustment-GASB 68	(9,300)	(8,700)	\$ -
Operating loss	(33,310)	(40,358)	\$ (34,070)
<u>Non-Operating Activities</u>			
Interest Income	162	120	\$ 11
Interest Expense	(12,911)	(11,840)	\$ (10,578)
Total Non-Operating Activities	(12,749)	(11,720)	\$ (10,567)
Capital contributions	15,750	1,585	\$ -
Change in Net Position	\$ (30,308)	\$ (50,493)	\$ (44,637)

Nassau Health Care Corporation and Subsidiaries
Budgeted Revenue & Expenses
By Location
(In Thousands)

	Nassau University Medical Center Budget 2018	A. Holly Patterson Extended Care Fac. Budget 2018	Physician Faculty Practice Plan Budget 2018	Nassau Health Care Corp, LTD. Budget 2018	Total Budget 2018
<u>Operating Revenues:</u>					
Net patient service revenue	\$ 329,873	\$ 61,081	\$ 29,548	\$ -	\$ 420,502
<u>Other Operating Revenues:</u>					
NYS Intergovernmental transfer	56,500	7,000	-	-	63,500
DSRIP	38,460	-	-	-	38,460
Nassau County Billings	18,480	-	-	-	18,480
Corrections Contract	21,000	-	-	-	21,000
Federal & State Aid	15,173	-	-	-	15,173
Practice Plan Revenue	14,500	-	(14,500)	-	-
Miscellaneous	19,445	652	-	10,000	30,097
Total Operating Revenues	513,431	68,733	15,048	10,000	607,212
<u>Operating Expenses:</u>					
Salaries	225,079	34,269	13,522	-	272,870
Fringe Benefits	119,296	21,283	-	-	140,579
Supplies	40,323	3,589	-	-	43,912
Expenses	94,395	6,309	1,526	10,000	112,230
Utilities	15,853	1,175	-	-	17,028
Depreciation Expense	18,482	792	-	-	19,274
Total Operating Expenses before OPEB & GASB 68	513,428	67,417	15,048	10,000	605,893
<u>Income (loss) before OPEB & GASB 68 expenses</u>	3	1,316	-	-	1,319
Employee benefits - OPEB	(28,909)	(6,480)	-	-	(35,389)
NYS Actuarial Pension Adjustment-GASB 68	-	-	-	-	-
Operating loss	(28,906)	(5,164)	-	-	(34,070)
<u>Non-Operating Activities</u>					
Interest Income	10	1	-	-	11
Interest Expense	(10,127)	(451)	-	-	(10,578)
Total Non-Operating Activities	(10,117)	(450)	-	-	(10,567)
Capital contributions	-	-	-	-	-
Change in Net Position	\$ (39,023)	\$ (5,614)	\$ -	\$ -	\$ (44,637)

Nassau Health Care Corporation and Subsidiaries
Nassau University Medical Center
Revenue & Expenses
(In Thousands)

	Audited FYE 12/31/2016	Projected FYE 12/31/2017	Budgeted FYE 12/31/2018
<u>Operating Revenues:</u>			
Net patient service revenue	\$ 301,969	\$ 318,742	\$ 329,873
<u>Other Operating Revenues:</u>			
NYS Disproportionate Share	40,508	48,365	56,500
DSRIP	30,727	22,399	38,460
Nassau County Billings	2,300	18,980	18,480
Corrections Contract	-	4,139	21,000
Federal & State Aid	34,243	43,552	15,173
Practice Plan Revenue	12,219	14,545	14,500
Miscellaneous	36,773	29,474	19,445
Total Operating Revenues	458,739	500,196	513,431
<u>Operating Expenses:</u>			
Salaries	209,559	213,046	225,079
Fringe Benefits	105,211	107,232	119,296
Supplies	42,445	41,021	40,323
Expenses	85,438	94,750	94,395
Utilities	15,245	15,927	15,853
Depreciation Expense	20,309	18,481	18,482
Total Operating Expenses before OPEB & GASB 68	478,207	490,457	513,428
<u>Income (loss) before OPEB & GASB 68 expenses</u>	(19,468)	9,739	3
Employee benefits - OPEB	(26,915)	(28,105)	(28,909)
NYS Actuarial Pension Adjustment-GASB 68	(7,785)	(7,284)	-
Operating loss	(54,168)	(25,650)	(28,906)
<u>Non-Operating Activities</u>			
Interest Income	10	109	10
Interest Expense	(11,821)	(9,225)	(10,127)
Total Non-Operating Activities	(11,811)	(9,116)	(10,117)
Capital contributions	13,000	-	-
Change in Net Position	\$ (52,979)	\$ (34,766)	\$ (39,023)

Nassau Health Care Corporation and Subsidiaries

A. Holly Patterson Extended Care Facility

Revenue & Expenses

(In Thousands)

	Audited FYE 12/31/2016	Projected FYE 12/31/2017	Budgeted FYE 1/1/2018
<u>Operating Revenues:</u>			
Net patient service revenue	\$ 65,521	\$ 47,106	\$ 61,081
<u>Other Operating Revenues:</u>			
NYS Intergovernmental transfer	19,817	9,463	7,000
DSRIP	-	-	
Nassau County Billings	-	-	
Corrections Contract	-	-	
Federal & State Aid	-	-	
Practice Plan Revenue	-	-	
Miscellaneous	573	892	652
Total Operating Revenues	85,911	57,461	68,733
<u>Operating Expenses:</u>			
Salaries	32,344	33,111	34,269
Fringe Benefits	19,105	19,236	21,283
Supplies	3,792	3,819	3,589
Expenses	7,320	6,690	6,309
Utilities	1,258	1,392	1,175
Depreciation Expense	841	792	792
Total Operating Expenses before OPEB & GASB 68	64,660	65,040	67,417
<u>Income (loss) before OPEB & GASB 68 expenses</u>	21,251	(7,579)	1,316
Employee benefits - OPEB	(5,548)	(6,300)	(6,480)
NYS Actuarial Pension Adjustment-GASB 68	(1,515)	(1,416)	-
Operating loss	14,188	(15,295)	(5,164)
<u>Non-Operating Activities</u>			
Interest Income	1	11	1
Interest Expense	(1,990)	(2,615)	(451)
Total Non-Operating Activities	(1,989)	(2,604)	(450)
Capital contributions	-	-	-
Change in Net Position	\$ 12,200	\$ (17,899)	\$ (5,614)

Nassau Health Care Corporation and Subsidiaries
Revenue & Expenses
Physician Faculty Practice Plan
(In Thousands)

	Audited FYE 12/31/2016	Projected FYE 12/31/2017	Budgeted FYE 12/31/2018
<u>Operating Revenues:</u>			
Net patient service revenue	\$ 25,244	\$ 29,518	29,548
<u>Other Operating Revenues:</u>			
NYS Intergovernmental transfer	-	-	-
DSRIP	-	-	-
Nassau County Billings	-	-	-
Corrections Contract	-	-	-
Federal & State Aid	-	-	-
Practice Plan Revenue	(12,219)	(14,545)	(14,500)
Miscellaneous	-	-	-
Total Operating Revenues	13,025	14,973	15,048
<u>Operating Expenses:</u>			
Salaries	11,042	12,380	13,522
Fringe Benefits	393	184	-
Supplies	-	-	-
Expenses	1,584	1,822	1,526
Utilities	-	-	-
Depreciation Expense	-	-	-
Total Operating Expenses before OPEB & GASB 68	13,019	14,386	15,048
<u>Income (loss) before OPEB & GASB 68 expenses</u>	6	587	-
Employee benefits - OPEB	-	-	-
NYS Actuarial Pension Adjustment-GASB 68	-	-	-
Operating loss	6	587	-
<u>Non-Operating Activities</u>			
Interest Income	-	-	-
Interest Expense	-	-	-
Total Non-Operating Activities	-	-	-
Capital contributions	-	-	-
Change in Net Position	\$ 6	\$ 587	\$ -

Nassau Health Care Corporation and Subsidiaries

Nassau Health Care Corp, LTD.

Revenue & Expenses

(In Thousands)

	Audited FYE 12/31/2016	Projected FYE 12/31/2017	Budgeted FYE 12/31/2018
<u>Operating Revenues:</u>			
Net patient service revenue	\$ -	\$ -	
<u>Other Operating Revenues:</u>			
NYS Intergovernmental transfer	-	-	
DSRIP	-	-	\$ -
Nassau County Billings	-	-	-
Corrections Contract	-	-	-
Federal & State Aid	-	-	-
Practice Plan Revenue	-	-	-
Miscellaneous	7,668	10,000	10,000
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Total Operating Revenues	7,668	10,000	10,000
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<u>Operating Expenses:</u>			
Salaries	-	-	-
Fringe Benefits	-	-	-
Supplies	-	-	-
Expenses	1,004	10,000	10,000
Utilities	-	-	-
Depreciation Expense	-	-	-
Total Operating Expenses before OPEB & GASB 68	1,004	10,000	10,000
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<u>Income (loss) before OPEB & GASB 68 expenses</u>	6,664	-	-
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Employee benefits - OPEB	-	-	-
NYS Actuarial Pension Adjustment-GASB 68	-	-	-
Operating loss	6,664	-	-
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<u>Non-Operating Activities</u>			
Interest Income	151	-	-
Interest Expense	900	900	-
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Total Non-Operating Activities	1,051	900	-
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Capital contributions	2,750	-	-
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Change in Net Position	\$ 10,465	\$ 900	\$ -
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Nassau Health Care Corporation and Subsidiaries
Budgeted Volumes & Revenue
2018

Nassau University Medical Center

Summary by Service	2018 Budget Days	2018 Budget Discharges	2018 Budget Revenue
Adult & Pediatric	65,843	15,193	\$ 190,580,910
Newborn	5,558	1,348	7,710,151
Detox	4,811	1,310	5,007,222
Residential Rehabilitation	7,706	383	4,434,857
Psychiatry	39,732	1,833	26,176,165
Substance Abuse Rehabilitation	4,874	387	10,987,803
Total	128,524	20,454	\$ 244,897,108

Summary by Service	2018 Budgeted Visits	2018 Budget Revenue
Ambulatory Surgery	5,233	\$ 12,814,991
Dialysis	24,193	6,060,197
ER-Total	70,492	48,732,564
ER Admits	16,445	
General Clinic	156,970	32,558,527
Mental Health	14,377	1,495,185
Referred Ambulatory	4,836	1,991,247
Other	11,261	1,045,015
Total	303,807	\$ 104,697,726

A. Holly Patterson Extended Care Facility

Summary by Service	2018 Budget Days
Geriatrics	167,544
HIV	6,278
Ventilator	6,072
Total	179,894