



**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, 2020

Nassau Health Care Corporation and Subsidiaries Operating Budget For Twelve Months Ending December 31, 2020

Index	<u>PAGE</u>
Executive Summary	3
Comparative Consolidated Revenue & Expenses	9
Nassau Health Care Corporation and Subsidiaries	10
Nassau University Medical Center	11
Correctional Facility	12
A. Holly Patterson Extended Care Facility	13
Physician Faculty Practice Plan	14
Nassau Health Care Corp., LTD.	15
Budgeted Patient Service Volumes	16
Budget Graphs	17

EXECUTIVE SUMMARY

2020 is budgeted with an \$86.1 million operating loss, before non-cash expenses related to Other Post Retirement Benefit (OPEB) and NYS Actuarial Pension (GASB 68) expenses, primarily due to Other Operating Revenue being \$52.0 million below 2019 levels and expenses being \$29.2 above 2019 levels.

Other Operating Revenue is below 2019 projected levels as follows:

NYS Intergovernmental Transfer Revenue	\$24.9 million
DSRIP Revenue	16.4 million
Federal & State Aid	7.5 million
Miscellaneous & Other, net	<u>3.2 million</u>
	\$52.0 million

Expenses are above projected 2019 levels due to:

New Contractual Salary & Related Fringe Benefit Increases	\$8.8 million
Additional personnel	13.5 million
Increased fringe benefit costs	5.9 million
Pharmacy & Other Costs, net	<u>1.0 million</u>
	\$29.2 million

Other operating revenue is budgeted \$52.0 million below projected 2019 levels primarily as a result of a decrease in NYS Intergovernmental transfer revenue of \$24.9 million because the 2019 amount contained non-recurring prior year adjustment amounts, the expiration of the DSRIP program on March 31, 2020- a decrease of \$16.4 million, a reduction in State aid of \$7.5 million due, as well as miscellaneous revenue decreasing by \$3.7 million due to a one time Foundation grant in 2019 of \$3.8 million.

Expenses are increasing by \$29.2 million due to a recently negotiated new contract with the union which provides for a 3% cost of living adjustment which increased salary and related fringe benefit costs by \$8.8 million. Fringe benefit cost also increased due to a 5.4% increase in premiums from NYSHIP, NUMC's health benefit provider. Pharmaceutical costs are also projected to increase by 5% and additional maintenance costs are budgeted for A. Holly Patterson of \$1.5 million.

Hospital patient service revenue is projected slightly higher than the 2019 level due to revenue cycle initiatives and increased discharges for surgical cases. Offsetting these increases is the 2% Medicaid add-on in 2019 which was a one year rate adjustment which is not in the 2020 Medicaid rates. Otherwise reimbursement by Medicare and Medicaid over the last decade has remained constant with no increase for inflation, despite health care inflationary increases in expense. Additionally, most other payors use these rates as a basis for payment and reimbursement by those payors reflect the same non-inflation adjusted rates.

Due to the significant budgeted loss, management has had on-going discussions with the NYS Department of Health to obtain financial assistance to support operations. Those efforts, along with

operational changes, designed to improve operating results will be on going throughout 2020 to reduce the operating loss.

Nassau University Medical Center

Revenue

Net Patient Service Revenue (NPSR) is budgeted at \$327.0 million, which is a \$2.3 million increase from the 2019 projections. The increase is primarily due to revenue cycle initiatives of \$6.0 million and additional surgical cases of \$2.0 million, offset by the 2% add-on in the 2019 Medicaid rates which was eliminated in the 2020 Medicaid rates. Patient inpatient volumes are budgeted at 200 cases above the 2019 levels for the recovery of lost surgical volume in 2019 and outpatient volumes are slightly above 2019 levels to reflect the expansion of these services during 2019.

Revenue Assumptions

The budget assumes that 2020 inpatient volumes - discharges, patient days and length of stay will be slightly higher than 2019. The table below outlines historical discharge data:

Year	Discharge Volumes	% Change from Previous Year
2020 Budgeted	20,127	1.00%
2019 Projected	19,927	0.49%
2018	19,829	-2.68%
2017	20,375	-0.23%
2016	20,629	-0.26%
2015	20,683	-1.67%

Outpatient clinic volumes are budgeted to be slightly above the 2019 level due to the expansion of hours in dentistry and other clinics.

Other operating revenues overall are decreasing by \$49.6 million. IGT revenue is declining by \$23.3 million. The 2020 amount includes \$47.2 million for current year IGT. The 2019 IGT amount includes \$19.1 million of prior year IGT and a total of \$70.5 million. Federal & State Aid is budgeted at \$22.3 million, which is a decline of \$7.5 million from 2019. DSRIP revenue is also decreasing by \$16.4 million from the 2019 projected level due to the end of this program on March 31, 2020. Correctional facility operations are budgeted at approximately the 2019 projected levels.

Expenses

The budget includes increases to salaries and related fringe benefits, primarily for cost of living, longevity and step increases. 2020 salaries, exclusive of correctional facility operations, are projected to be \$231.0 million and includes additional personnel in ambulatory areas and psychiatry. Other expenses include a price increase for pharmaceutical costs of \$0.7 million and additional laboratory expense, offset by a decrease in agency personnel use.

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

A Holly Patterson Extended Care Facility

Revenue

Patient Service Revenue is budgeted at \$45.6 million, an increase of \$0.8 million from the 2019 projected level and reflects a 2.4% increase in resident days. Resident days declined in the first half of 2019 and were above budgeted levels in the second half of the year. 2020 has been budgeted at 168,242 resident days which is a 2.4% increase over 2019 to reflect the current monthly volumes. IGT revenue is budgeted at \$10.3 million, a decrease of \$1.6 million from 2019.

Revenue Assumption

Occupancy levels are budgeted at an average daily census (ADC) of 461 for 2020 which approximates the current level.

	Resident Days		
	2018	2019 Projected	2020 Budget
Geri	154,391	152,386	156,929
HIV	5,776	5,887	5,852
Vent	5,651	6,016	5,461
Total	<u>165,818</u>	<u>164,289</u>	<u>168,242</u>

Expense Assumptions

Salary and Fringe Benefits are budgeted at \$39.4 million, an increase of \$5.4 million from the 2019 projected amounts which reflects the current roster of employees. Other than personnel services (OTPS) expense reflects an increase for maintenance costs of \$1.5 million.

Physician Faculty Practice Plan

The operations of the faculty practice plan are budgeted to remain at the level of 2019 operations.

SECTION TWO

OPERATING BUDGET

FISCAL YEAR ENDED DECEMBER 31, 2020

**COMPARATIVE FINANCIAL STATEMENT
PRESENTATION**

Nassau Health Care Corporation and Subsidiaries
Revenue & Expenses
Consolidated
(In Thousands)

	Audited FYE 12/31/2018	Projected FYE 12/31/2019	Budgeted FYE 12/31/2020
<u>Operating Revenues:</u>			
Net patient service revenue	\$ 383,852	\$ 398,073	\$ 401,585
<u>Other Operating Revenues:</u>			
NYS Intergovernmental transfer	84,567	82,368	57,482
DSRIP	33,345	28,044	11,626
Nassau County Billings	26,295	19,667	19,864
Corrections Contract	20,251	20,739	21,000
Federal & State Aid	16,515	29,753	22,282
Practice Plan Revenue	0	0	0
Miscellaneous	26,099	22,324	18,618
Total Operating Revenues	608,175	600,967	552,457
<u>Operating Expenses:</u>			
Salaries	263,154	271,199	294,148
Fringe Benefits	137,872	137,624	144,502
Supplies	50,259	49,412	49,312
Expenses	119,690	113,362	113,176
Utilities	18,265	19,461	19,809
Depreciation Expense	18,300	18,216	17,568
Total Operating Expenses	607,540	609,273	638,515
<u>Income (loss) before OPEB, GASB 68 & other expenses</u>	(\$16,616)	(8,306)	\$ (86,058)
Employee benefits - OPEB	(33,915)	(35,388)	(36,700)
NYS Actuarial Pension Adjustment	2,052	(3,773)	
Operating loss	(48,479)	(47,467)	(122,758)
<u>Non-Operating Activities</u>			
Interest Income	579	971	400
Interest Expense	(11,992)	(11,942)	(14,035)
Total Non-Operating Activities	(11,413)	(10,971)	(13,635)
Capital Contribution	4,767		
Change in Net Position	\$ (55,125)	\$ (58,438)	\$ (136,393)

Nassau Health Care Corporation and Subsidiaries

Budgeted Revenue & Expenses

By Entity

(In Thousands)

	Nassau University Medical Center Budget 2020	A. Holly Patterson Extended Care Fac. Budget 2020	Physician Faculty Practice Plan Budget 2020	Nassau Health Care Corp, LTD. Budget 2020	Total Budget 2020
<u>Operating Revenues:</u>					
Net patient service revenue	\$ 327,018	\$ 45,567	\$ 29,000	\$ -	\$ 401,585
<u>Other Operating Revenues:</u>					
NYS Intergovernmental transfer	47,203	10,279	-	-	57,482
DSRIP	11,626	-	-	-	11,626
Nassau County Billings	19,864	-	-	-	19,864
Corrections Contract	21,000	-	-	-	21,000
Federal & State Aid	22,282	-	-	-	22,282
Practice Plan Revenue	14,500	-	(14,500)	-	-
Miscellaneous	18,138	480	-	6,000	18,618
Total Operating Revenues	481,631	56,326	14,500	6,000	552,457
<u>Operating Expenses:</u>					
Salaries	241,826	39,407	12,915	-	294,148
Fringe Benefits	123,539	20,663	300	-	144,502
Supplies	45,976	3,336	-	-	49,312
Expenses	104,168	7,723	1,285	6,000	113,176
Utilities	18,043	1,766	-	-	19,809
Depreciation Expense	16,795	773	-	-	17,568
Total Operating Expenses	550,347	73,668	14,500	6,000	638,515
<u>Income (loss) before OPEB expenses</u>	(68,716)	(17,342)	-	-	(86,058)
Employee benefits - OPEB	(30,000)	(6,700)	-	-	(36,700)
Operating loss	(98,716)	(24,042)	-	-	(122,758)
<u>Non-Operating Activities</u>					
Interest Income	400	-	-	-	400
Interest Expense	(11,893)	(2,142)	-	-	(14,035)
Total Non-Operating Activities	(11,493)	(2,142)	-	-	(13,635)
Change in Net Position	\$ (110,209)	\$ (26,184)	\$ -	\$ -	\$ (136,393)

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

	Audited FYE 12/31/2018	Projected FYE 12/31/2019	Budgeted FYE 12/31/2020
<u>Operating Revenues:</u>			
Net patient service revenue	\$ 310,751	\$ 324,689	\$ 327,018
<u>Other Operating Revenues:</u>			
NYS Disproportionate Share	76,911	70,500	47,203
DSRIP	33,345	28,044	11,626
Nassau County Billings	26,295	19,667	19,864
Corrections Contract	20,251	20,739	21,000
Federal & State Aid	16,515	29,753	22,282
Practice Plan Revenue	13,967	13,568	14,500
Miscellaneous	20,070	21,632	18,138
Total Operating Revenues	518,105	528,591	481,631
<u>Operating Expenses:</u>			
Salaries	218,167	223,763	241,826
Fringe Benefits	117,176	117,034	123,539
Supplies	46,451	45,794	45,976
Expenses	90,323	104,705	104,168
Utilities	16,550	17,600	18,043
Depreciation Expense	17,435	17,472	16,795
Total Operating Expenses	506,102	526,366	550,347
<u>Income (loss) before OPEB & GASB 68 expenses</u>	12,003	2,224	(68,716)
Employee benefits - OPEB	(28,000)	(28,908)	(30,000)
NYS Actuarial Pension Adjustment	1,693	(3,113)	-
Operating loss	(14,304)	(29,797)	(98,716)
<u>Non-Operating Activities</u>			
Interest Income	172	971	400
Interest Expense	(8,890)	(9,816)	(11,893)
Total Non-Operating Activities	(8,718)	(8,846)	(11,493)
Capital Contribution	4,767	6,705	
Change in Net Position	\$ (18,255)	\$ (31,937)	\$ (110,209)

Nassau Health Care Corporation and Subsidiaries
Correctional Facility
Revenue & Expenses
(In Thousands)

	Audited FYE 12/31/2018	Projected FYE 12/31/2019	Budgeted FYE 12/31/2020
<u>Operating Revenues:</u>			
Net patient service revenue			
<u>Other Operating Revenues:</u>			
NYS Intergovernmental transfer			
DSRIP			
Nassau County Billings			
Corrections Contract	17,251	17,739	18,000
Federal & State Aid			
Practice Plan Revenue			
Miscellaneous			
Total Operating Revenues	17,251	17,739	18,000
<u>Operating Expenses:</u>			
Salaries	10,894	11,005	10,815
Fringe Benefits	3,520	3,555	3,499
Supplies	1,373	215	203
Expenses	1,464	2,964	2,967
Utilities	-	-	-
Depreciation Expense	-	-	-
Total Operating Expenses	17,251	17,739	17,484
<u>Income (loss) before OPEB & GASB 68 expenses</u>	-	0	516
Employee benefits - OPEB	-	-	-
Operating loss	-	0	516
<u>Non-Operating Activities</u>			
Interest Income	-	-	-
Interest Expense	-	-	-
Total Non-Operating Activities	-	-	-
Change in Net Position	\$ -	\$ 0	\$ 516

Nassau Health Care Corporation and Subsidiaries
A. Holly Patterson Extended Care Facility
Revenue & Expenses
(In Thousands)

	Audited FYE 12/31/2018	Projected FYE 12/31/2019	Budgeted FYE 12/31/2020
<u>Operating Revenues:</u>			
Net patient service revenue	\$ 45,037	\$ 44,740	\$ 45,567
<u>Other Operating Revenues:</u>			
NYS Intergovernmental transfer	7,656	11,868	10,279
DSRIP	-	-	
Nassau County Billings	-	-	
Corrections Contract	-	-	
Federal & State Aid	-	-	
Practice Plan Revenue	-	-	
Miscellaneous	623	693	480
Total Operating Revenues	53,316	57,301	56,326
<u>Operating Expenses:</u>			
Salaries	33,136	34,019	39,407
Fringe Benefits	20,244	20,220	20,663
Supplies	3,808	3,618	3,336
Expenses	7,754	7,370	7,723
Utilities	1,715	1,861	1,766
Depreciation Expense	865	744	773
Total Operating Expenses	67,522	67,831	73,668
<u>Income (loss) before OPEB, GASB 68 & other expenses</u>	(14,206)	(10,530)	(17,342)
Employee benefits - OPEB	(5,915)	(6,480)	(6,700)
NYS Actuarial Pension Adjustment	359	(660)	
Operating (loss) income	(19,762)	(17,670)	(24,042)
<u>Non-Operating Activities</u>			
Interest Income	1		
Interest Expense	(3,151)	(2,126)	(2,142)
Total Non-Operating Activities	(3,150)	(2,126)	(2,142)
Change in Net Position	\$ (22,912)	\$ (19,796)	\$ (26,184)

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

	Audited FYE 12/31/2018	Projected FYE 12/31/2019	Budgeted FYE 12/31/2020
<u>Operating Revenues:</u>			
Net patient service revenue	\$ 28,064	\$ 28,644	29,000
<u>Other Operating Revenues:</u>			
NYS Intergovernmental transfer	-	-	-
DSRIP	-	-	-
Nassau County Billings	-	-	-
Corrections Contract	-	-	-
Federal & State Aid	-	-	-
Practice Plan Revenue	(13,967)	(13,568)	(14,500)
Miscellaneous	-	-	-
Total Operating Revenues	14,097	15,077	14,500
<u>Operating Expenses:</u>			
Salaries	11,851	13,418	12,915
Fringe Benefits	452	371	300
Supplies	-	-	-
Expenses	1,794	1,289	1,285
Utilities	-	-	-
Depreciation Expense	-	-	-
Total Operating Expenses	14,097	15,077	14,500
<u>Income (loss) before OPEB & GASB 68 expenses</u>	-	-	-
Employee benefits - OPEB	-	-	-
Operating loss	-	-	-
<u>Non-Operating Activities</u>			
Interest Income	-	-	-
Interest Expense	-	-	-
Total Non-Operating Activities	-	-	-
Change in Net Position	\$ -	\$ -	\$ -

Nassau Health Care Corporation and Subsidiaries
Nassau Health Care Corp, LTD.
Revenue & Expenses
(In Thousands)

	Audited FYE 12/31/2018	Projected FYE 12/31/2019	Budgeted FYE 12/31/2020
<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	5,406	6,999	6,000
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	5,406	6,999	6,000
	<hr/>	<hr/>	<hr/>
<u>Operating Expenses:</u>			
Salaries	-	-	-
Fringe Benefits	-	-	-
Supplies	-	-	-
Expenses	19,819	6,999	6,000
Utilities	-	-	-
Depreciation Expense	-	-	-
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	19,819	6,999	6,000
	<hr/>	<hr/>	<hr/>
<u>Income (loss) before OPEB & GASB 68 expenses</u>	(14,413)	-	-
	<hr/>	<hr/>	<hr/>
Employee benefits - OPEB	-	-	-
Operating loss	(14,413)	-	-
	<hr/>	<hr/>	<hr/>
<u>Non-Operating Activities</u>			
Interest Income	406	-	500
Interest Expense	49	-	-
Total Non-Operating Activities	455	-	500
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Change in Net Position	\$ (13,958)	\$ -	\$ 500
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NHCC

Patient Service Volumes

NUMC

Inpatient

	Discharges			Patient Days		
	2018	2019 Projected	2020 Budget	2018	2019 Projected	2020 Budget
Adult & Peds						
Medicine	8,134	8,332	8,332	44,296	40,800	40,800
Cardiology	2,475	2,481	2,481	7,609	7,524	7,524
OB	1,407	1,215	1,215	4,174	3,589	3,589
Peds	938	831	831	2,057	2,039	2,039
NICU	251	227	227	2,721	2,084	2,084
Trauma	426	531	531	1,842	2,653	2,653
Surgery	547	472	672	2,369	2,036	2,898
Ortho	612	657	657	1,989	2,196	2,196
GYN	229	203	203	643	379	379
Burn	191	172	172	1,778	1,785	1,785
Neuro Surgery	23	16	16	167	151	151
Other	101	103	103	264	373	373
Sub-total	15,334	15,240	15,440	69,909	65,609	66,471
New Born	1,060	931	931	2,572	2,508	2,508
Physical Med	349	371	371	4,764	5,003	5,003
Chem Dep	307	237	237	6,548	5,044	5,044
Psych	1,437	1,597	1,597	35,127	33,492	33,492
Detox	1,342	1,551	1,551	4,808	5,383	5,383
Total	19,829	19,927	20,127	123,728	117,039	117,901

Outpatient

	Visits		
	2018	2019 Projected	2020 Budget
General Clinic	152,049	153,836	154,736
Mental Health Clinics	14,040	14,143	14,143
Hemodialysis	23,545	22,012	22,012
Other Clinics	11,766	16,505	19,505
Emergency Department-Total	67,266	67,161	67,161
Emergency Department-Admits	15,809	16,137	16,137
Ambulatory Surgery	5,055	5,088	5,088

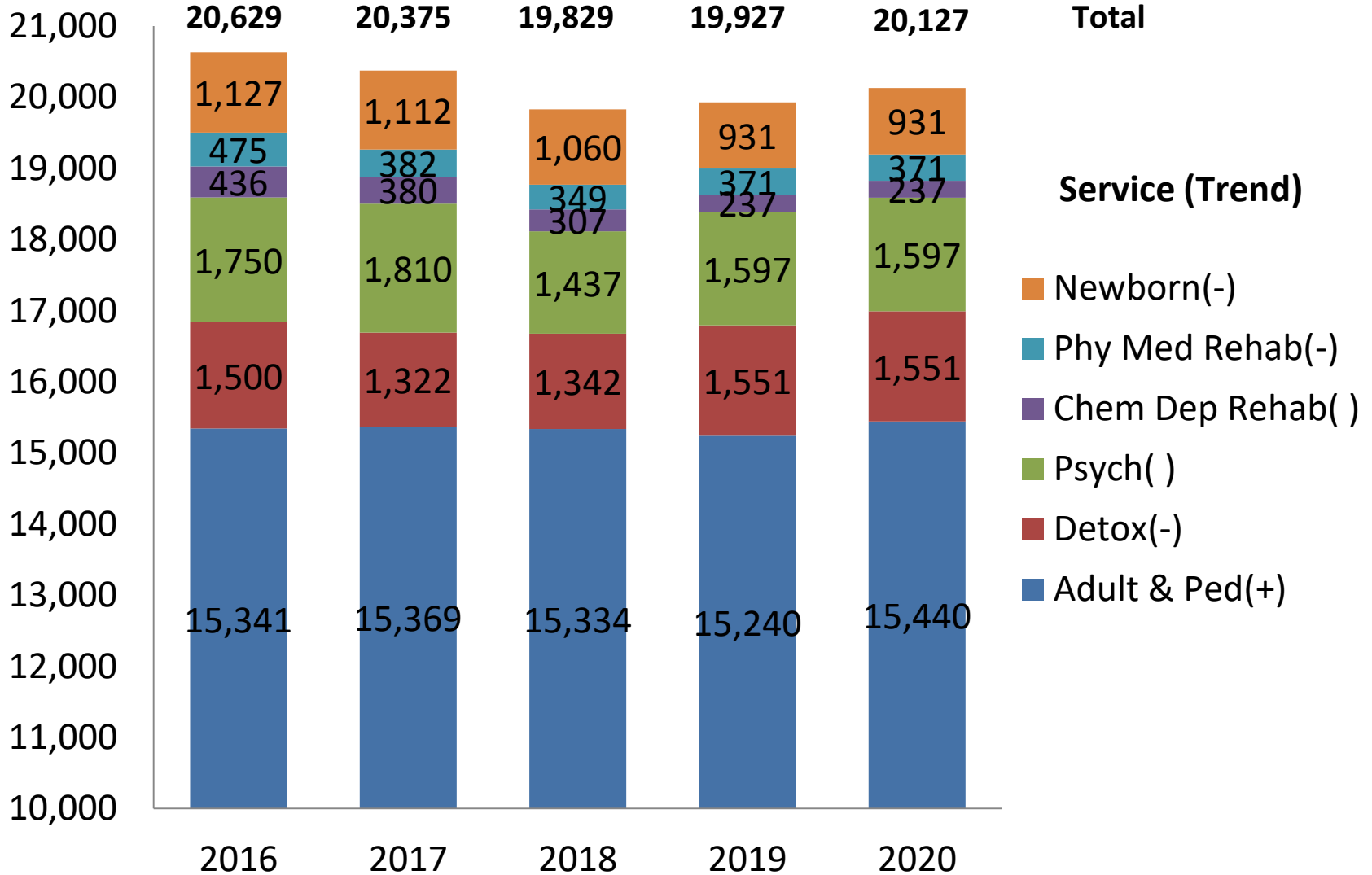
AHP

	Resident Days		
	2018	2019 Projected	2020 Budget
Geri	154,391	152,386	156,929
HIV	5,776	5,887	5,852
Vent	5,651	6,016	5,461
Total	165,818	164,289	168,242

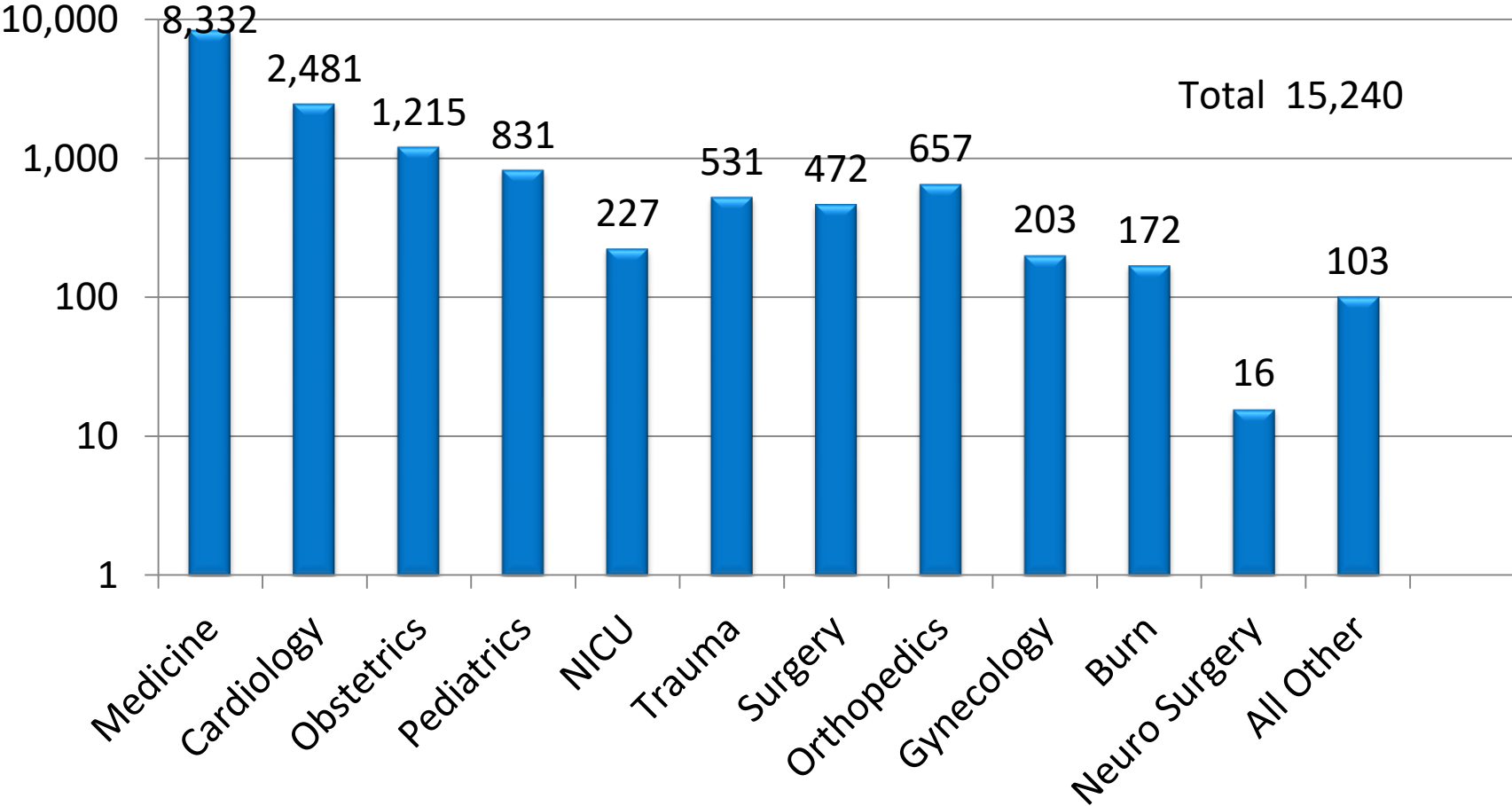
NHCC 2020

Budget Graphs

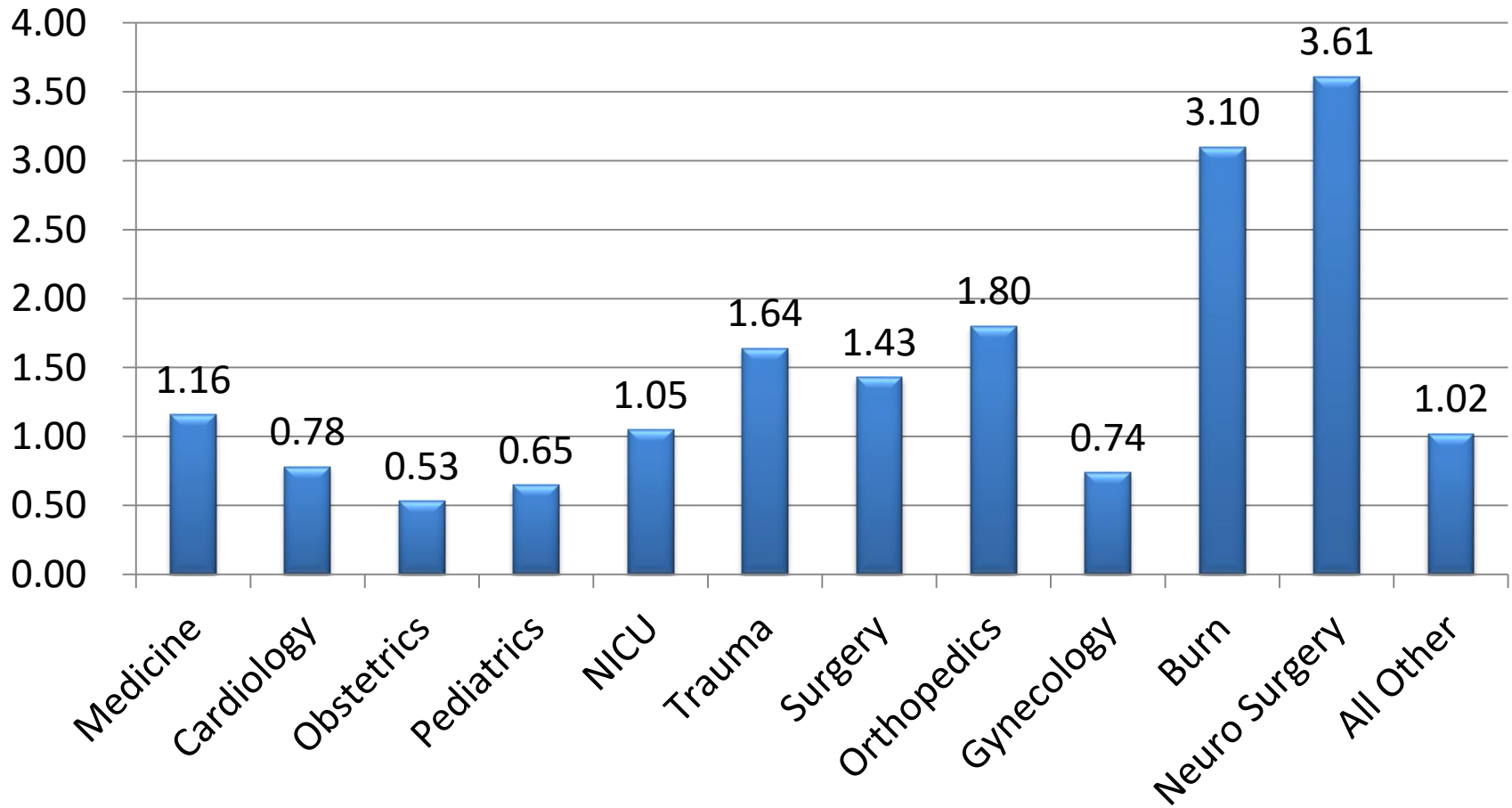
NUMC Discharges



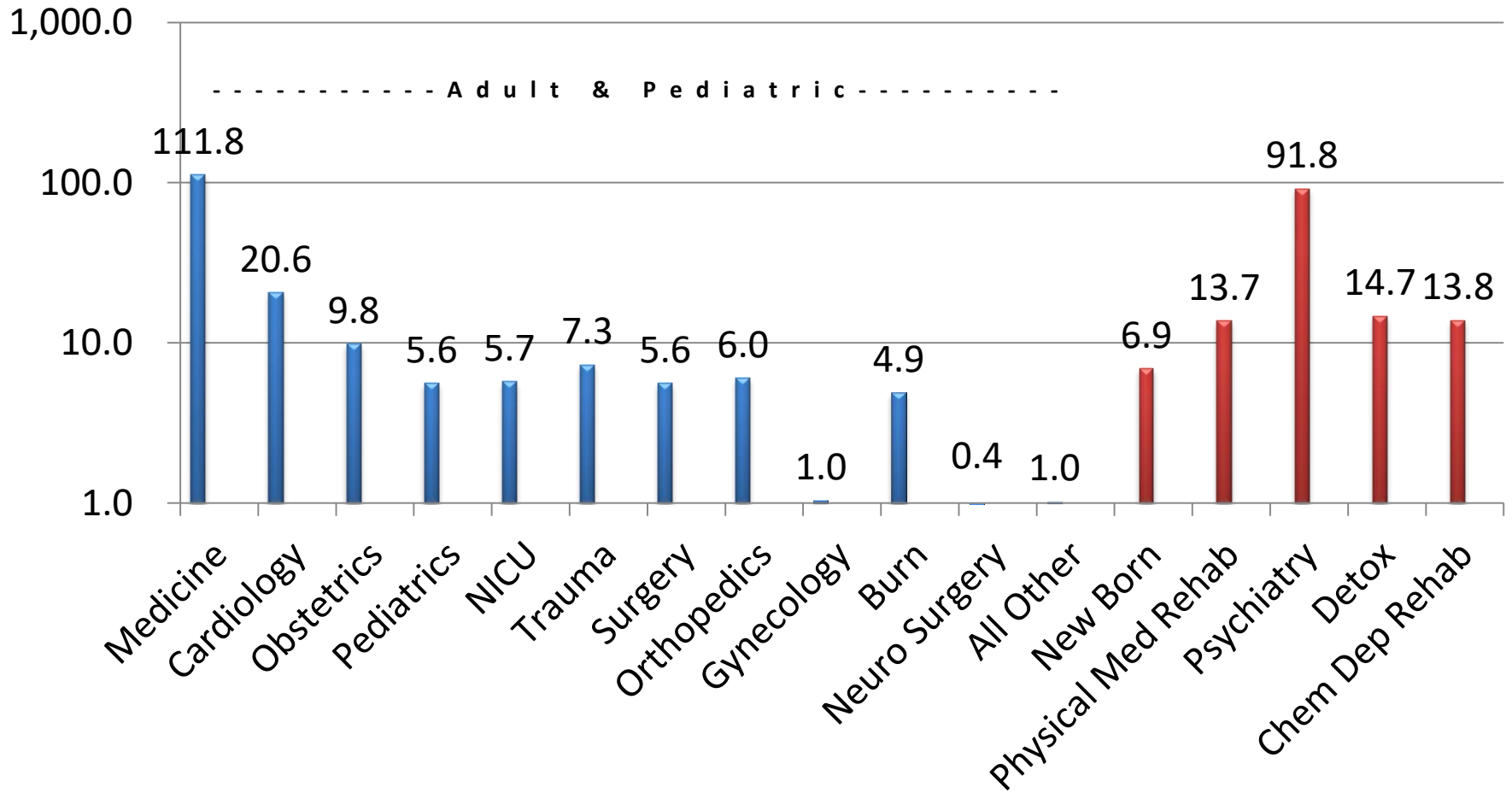
Adult & Pediatric Discharges By Service 2019



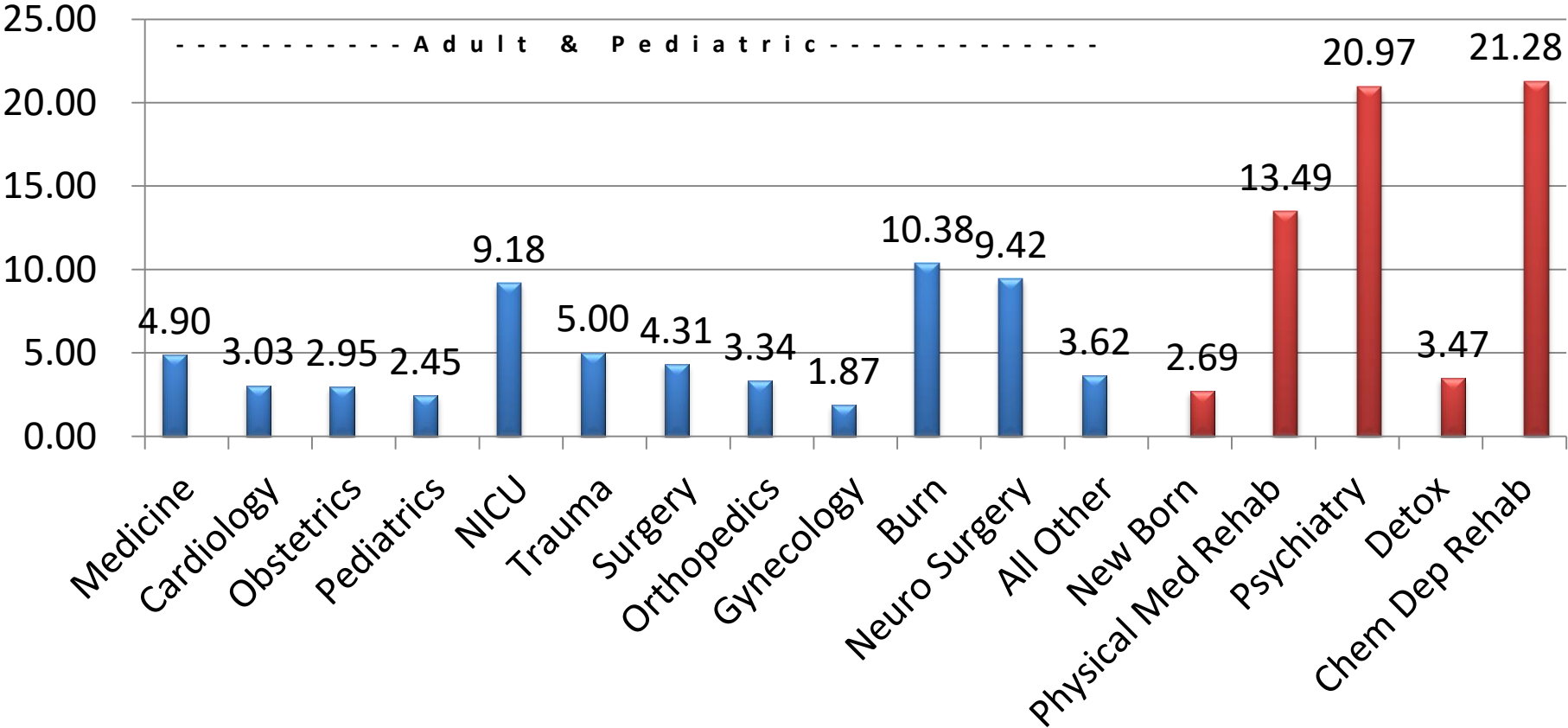
Adult & Pediatric Case Mix Index By Service 2019



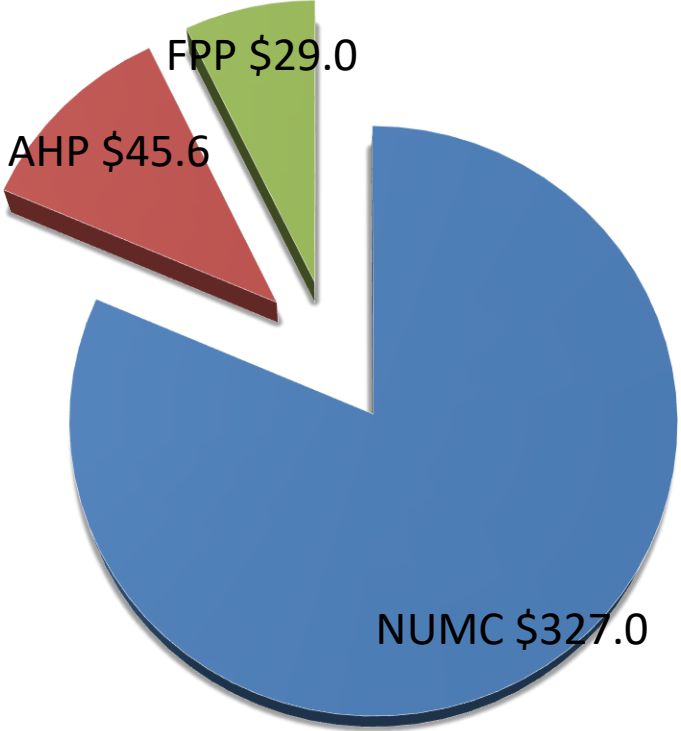
Average Daily Census 2019



Average Length of Stay 2019



Net Patient Service Revenue Budget 2020 (millions)



Total \$401.6

Other Operating Revenue

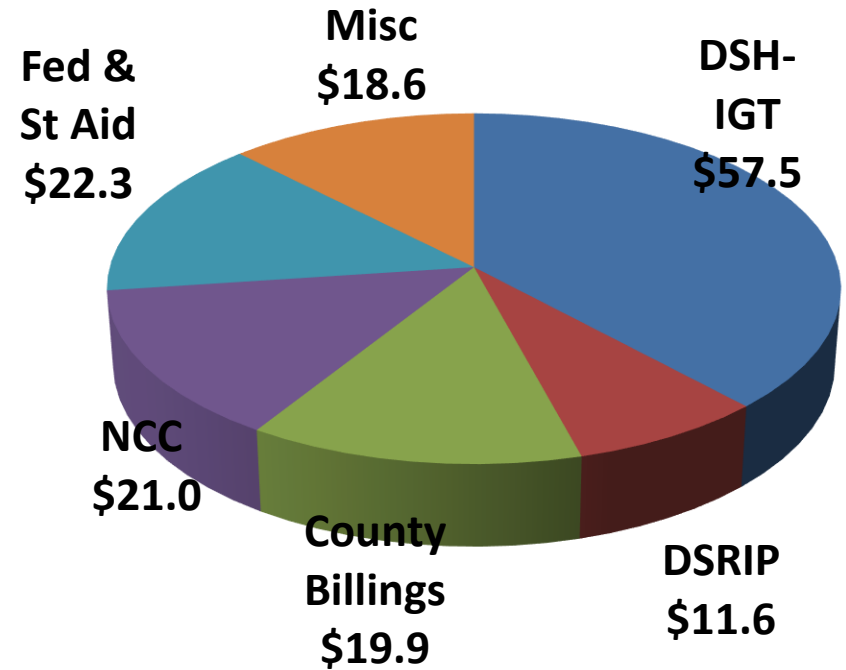
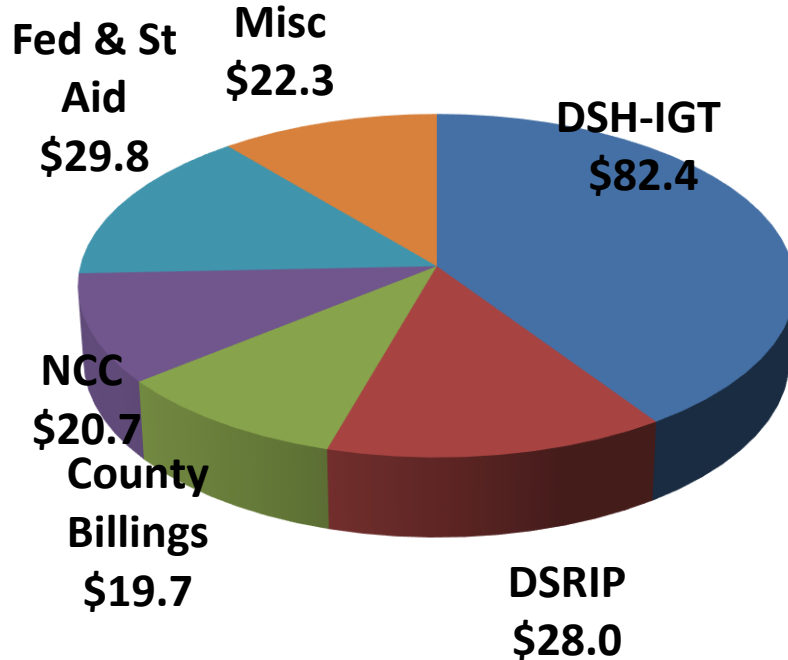
(millions)

2019

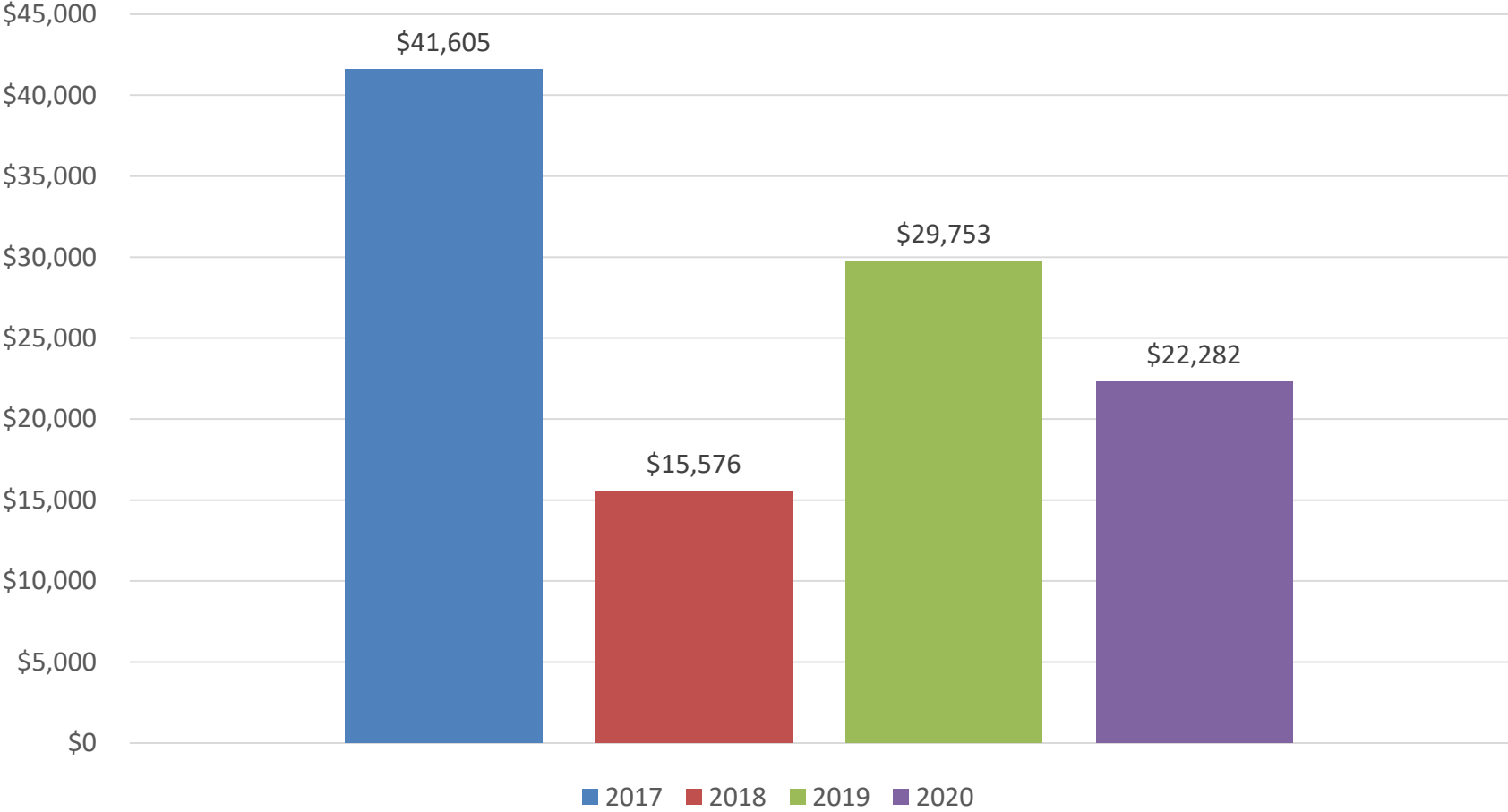
2020

Total-\$202.9

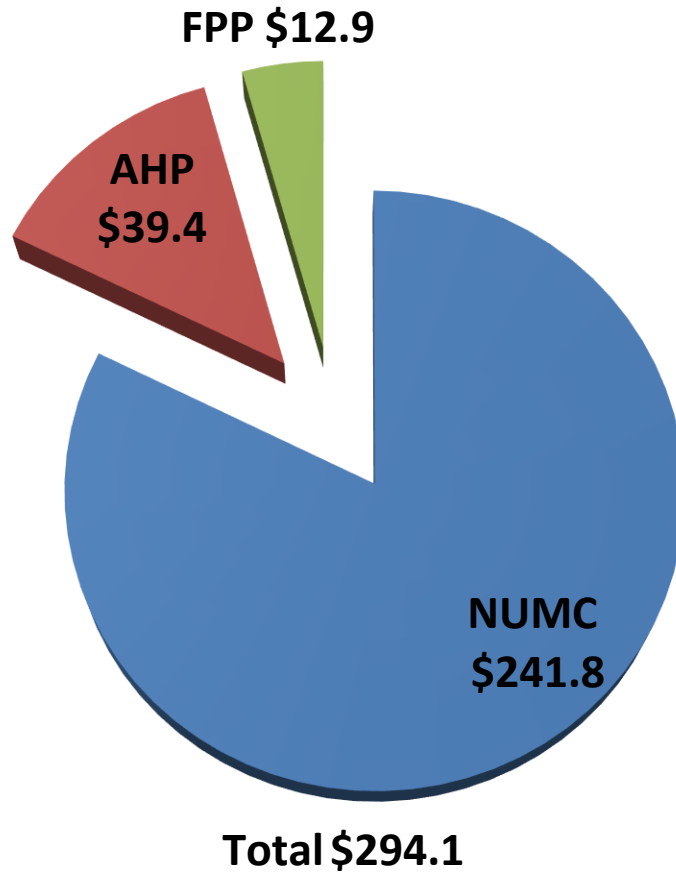
Total-\$150.9



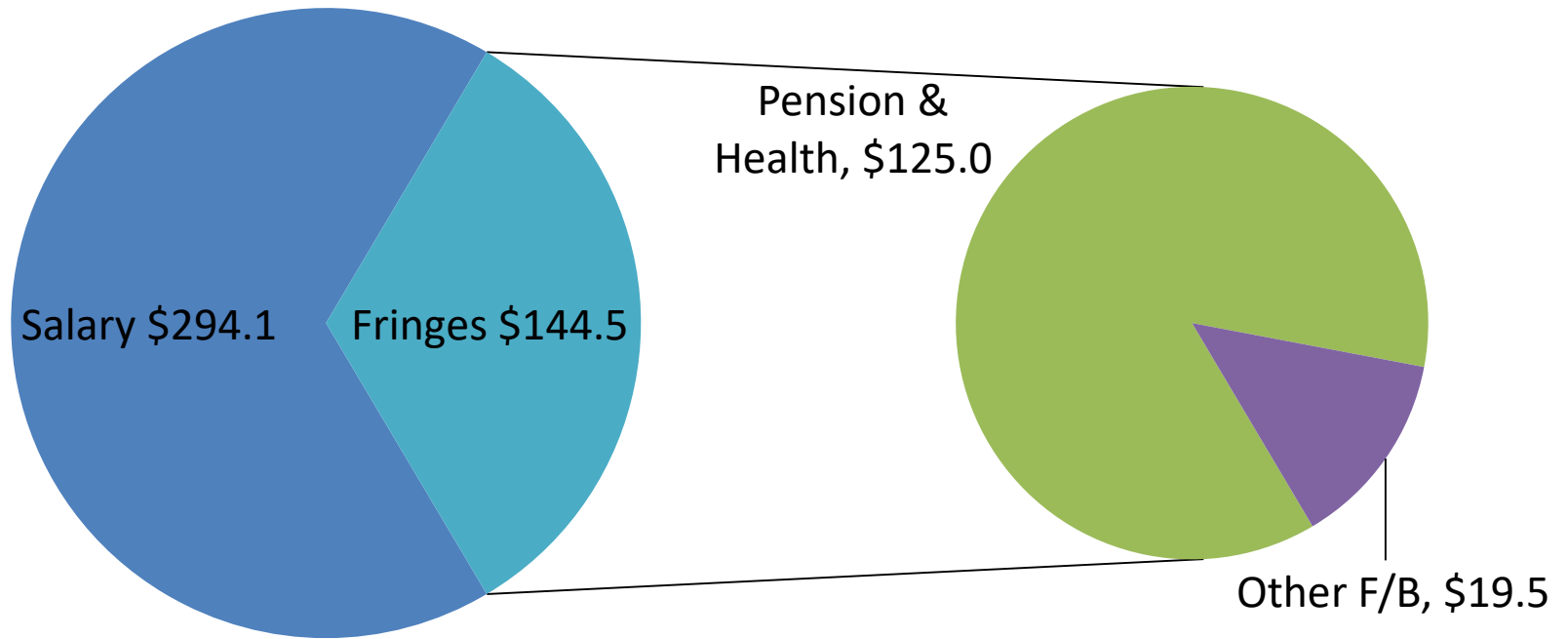
Federal & State Aid



Salaries (millions)

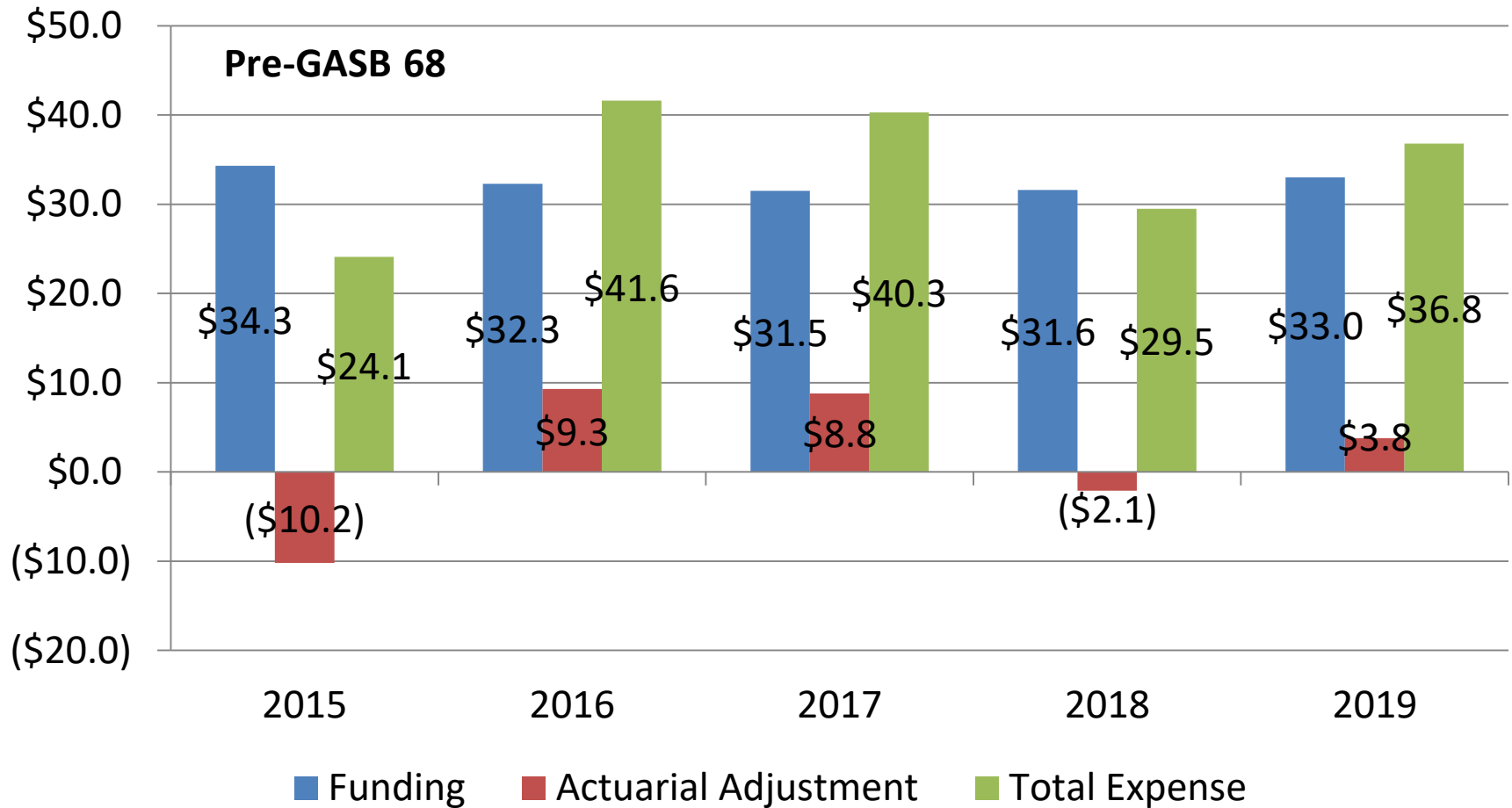


Salary & Fringe Benefits (millions)



NYS Pension Expense

(Millions)



NYS Actuarial Pension Expense Adjustment (millions)

