



**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, 2017

EXECUTIVE SUMMARY

The proposed operating budget for 2017 is a comprehensive plan to improve the financial position of the Hospital and ensure long term stability. The budget includes reductions to, among other items: salaries and related fringe benefits, clinical support contracts, contract labor, and supplies and expenses. These reductions are necessitated by the projected growth of the 2016 salaries in 2017. The 2016 consolidated salaries are projected to be \$249.0 million; however, in 2017 the salary and fringe benefit expense would have been \$29.6 million greater, absent the reduction initiatives contained in this Proposed Budget. Other major items contributing to the need for expense reductions are: the loss of the Mission Payment (\$13 million), increased debt service costs (\$9 million) and unfunded state grants (\$16 million). To balance the 2017 budget, NHCC expenses, mostly associated with temporary personnel and contracts for other outsourced services will be significantly reduced. As well, staffing matrices will be adjusted down to reflect appropriate levels. Revenue cycle enhancements constitute a small portion of the overall improvement plan. Details of both Revenue improvements and expense reductions follow.

Net Patient Service Revenue (NPSR) is budgeted at \$405.7 million, an increase of \$9.6 million from the 2016 projections. The increase is primarily driven by improved billing and collection efforts, recovery of some accounts denied by insurers, an increase in general clinic volumes and an increase to Medicaid Disproportionate Share (“DSH”) funding. Except for the general clinics, outpatient activity is expected to be flat compared to 2016. Clinic visits are expected to increase by 7,000, which is an increase of approximately 4.4%. The increase is attributed to organizational changes and the new clinic space.

The operating budget includes \$10 million of grant funding from the program known as VBP-QIP. This program is currently on hold until an indemnification issue is resolved between the City of New

York and New York State. It is likely that a resolution will be forthcoming in early January. Two other grants, Care Restructuring Enhancement Pilots Program (CREP), and Essential Hospital-Debt Relief, at \$16 million and \$14 million respectively, have not been included in the 2017 budget. The CREP award has not been finalized between the New York State Department of Health (NYS DOH) and the Centers for Medicare and Medicaid Services (CMS). The Essential Hospital Grant-Debt Relief, although awarded last year, and applied for in 2017 and 2018, is at best questionable.

The 2017 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 2017 inpatient volumes - discharges, patient days and length of stay will be relatively unchanged from 2016. The table below outlines historical discharge data:

Year	Discharge Volumes	% Change from Previous Year
2017 Budget	20,553	-0.37%
2016	20,629	-0.26%
2015	20,683	-0.23%
2014	20,730	-1.67%
2013	21,082	-5.66%
2012	22,347	-7.30%
2011	24,108	3.47%
2010	23,299	-2.36%
2009	23,861	0.09%

Outpatient clinic volumes are budgeted with small increases considering that activity in 2016 has not achieved expected goals. The new primary care space is expected to drive the volume increases. The Ambulatory Surgical Unit is expected to show a modest increase over 2016, which showed a decrease of 11% (603 visits) compared to 2015 actual. The 2017 Emergency Room visits are flat to 2016.

Overall, total operating revenues are expected to increase \$10.0 million, due to a projected increase in DSH funding of \$8.0 and a modest increase in Net Patient Service Revenue of \$2.0 million.

NUMC 2017 Revenue Budget Summary

Summary by Service	2017 Budget Discharges	2017 Budget Revenue
Adult & Peds	14,839	182,299,053
Newborn	1,366	8,821,861
Detox	1,174	4,195,649
Residential Rehab	274	3,140,800
Pysch	2,432	28,923,100
Rehab	468	12,090,610
Total	20,553	\$ 239,471,074

Summary by Payer	2017 Budget Revenue
MEDICARE	78,639,551
BLUE CROSS	12,298,362
MEDICAID	35,955,512
WORKERS COMP	1,746,097
SELF PAY	10,220,177
COMMERCIAL INS.	2,286,216
NO-FAULT	10,537,765
HMO MEDICARE	21,740,580
HMO-COMMERCIAL	20,398,428
HMO-MEDICAID	45,648,385
HMO-BX	-
PRISON	-
COUNTY	-
Total	\$ 239,471,074

Summary by Service	2017 Budget Visits	2017 Budget Revenue
Amb Surg	4,839	11,261,577
Ambulance	-	653,257
Dental Clinic	7,294	438,703
Dialysis	23,540	4,183,274
ER	72,641	47,301,212
General Clinic	160,438	27,225,065
Mental Health	13,685	1,837,449
Ref Amb	5,514	6,551,739
Total	287,951	\$ 99,452,277

Summary by Payer	2017 Budget Revenue
MEDICARE	7,096,331
BLUE CROSS	5,472,618
MEDICAID	5,862,112
WORKERS COMP	332,604
SELF PAY	55,125,254
COMMERCIAL INS.	2,004,615
NO-FAULT	492,262
HMO MEDICARE	1,912,927
HMO-COMMERCIAL	5,579,988
HMO-MEDICAID	14,239,354
HMO-BX	
Pending Medicaid	
Other	1,215,873
PRISON	
COUNTY	118,338
Total	\$ 99,452,277

Expense Assumptions

Salary and Fringe Benefits expense is budgeted at \$315.2 million, a decrease of \$2.2 million compared to 2016 projections. The reduction reflects reorganizations to a variety of departments (Obstetrics and Gynecology (Ob/Gyn), Pediatrics, and Rehabilitation), as well as reductions within the general and medical service areas across the hospital.

Supplies and expenses are budgeted to decrease by a net of \$3.5 million from 2016 projections. The reduction is driven by reduced reliance on contracted labor, the reduction or elimination of certain clinical contracts and supply cost reduction.

Utilities are projected to increase \$475,000.

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 be \$0.2 million less than projected 2016 due to a decrease in the Upper Payment Limit (“UPL”) of \$5.4 million. Occupancy levels are budgeted at an average daily census (ADC) of 514 for 2017. This compares to an ADC of 515 experienced through the first 10 months of 2016. Net patient revenue is projected to increase by \$5.2 million driven by improved case mix.

Expense Assumptions

Salary and Fringe Benefits are budgeted at \$53.5 million, an increase of \$2.3 million from the 2016 projected actual. Supplies, expenses and utilities are budgeted to increase by \$1.4 million from the 2016 projected actual.

Physician Faculty Practice Plan

Revenue Assumption

Revenue for 2017 is budgeted to increase by \$2.4 million, offset by increased expenses of \$1.1 million.

SECTION TWO

OPERATING BUDGET

FISCAL YEAR ENDED DECEMBER 31, 2017

**COMPARATIVE FINANCIAL STATEMENT
PRESENTATION**

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

	Audited FYE 12/31/2015	Projected FYE 12/31/2016	Budgeted FYE 12/31/2017
<u>Operating Revenues:</u>			
Net patient service revenue	\$ 383,253	\$ 396,104	\$ 405,704
<u>Other Operating Revenues:</u>			
NYS IGT (DSH & UPL)	47,338	51,877	54,500
DSRIP/IAAF	21,174	30,866	29,899
Nassau County Billings	16,713	18,480	18,480
Federal & State Aid	6,130	16,300	16,000
Practice Plan Revenue	-	-	-
Miscellaneous	30,073	33,992	33,965
Total Operating Revenues	504,681	547,619	558,548
<u>Operating Expenses:</u>			
Salaries	244,962	249,037	253,966
Fringe Benefits	109,513	130,558	126,797
Supplies	40,350	44,237	42,353
Expenses	97,337	98,858	98,532
Utilities	14,844	15,503	16,038
Depreciation Expense	21,314	20,640	20,862
Total Operating Expenses	528,320	558,832	558,548
<u>Income (loss) before OPEB expenses</u>	(23,639)	(11,213)	-
Employee benefits - OPEB	(34,045)	(34,691)	(35,384)
Operating loss	(57,684)	(45,904)	(35,384)
<u>Non-Operating Activities</u>			
Interest Income	158	12	12
Interest Expense	(13,564)	(11,828)	(10,485)
Total Non-Operating Activities	(13,406)	(11,816)	(10,473)
Capital contributions	6,250	13,578	-
Change in Net Position	\$ (64,840)	\$ (44,143)	\$ (45,857)

Nassau Health Care Corporation and Subsidiaries
Projected Revenue & Expenses
Consolidated - By Location
(In Thousands)

	Nassau University Medical Center Budget 2017	A. Holly Patterson Extended Care Fac. Budget 2017	Physician Faculty Practice Plan Budget 2017	Nassau Health Care Corp, LTD. Budget 2017	Total Budget 2017
<u>Operating Revenues:</u>					
Net patient service revenue	\$ 316,119	\$ 59,417	\$ 30,168	\$ -	\$ 405,704
<u>Other Operating Revenues:</u>					
NYS IGT (DSH & UPL)	47,500	7,000	-	-	54,500
DSRIP	29,899	-	-	-	29,899
Nassau County Billings	18,480	-	-	-	18,480
Federal & State Aid	16,000	-	-	-	16,000
Practice Plan Revenue	16,468	-	(16,468)	-	-
Miscellaneous	23,445	520	-	10,000	33,965
Total Operating Revenues	467,911	66,937	13,700	10,000	558,548
<u>Operating Expenses:</u>					
Salaries	208,738	33,628	11,600	-	253,966
Fringe Benefits	106,456	19,840	500	-	126,797
Supplies	37,811	4,542	-	-	42,353
Expenses	80,140	6,792	1,600	10,000	98,532
Utilities	14,720	1,318	-	-	16,038
Depreciation Expense	20,046	816	-	-	20,862
Total Operating Expenses	467,911	66,937	13,700	10,000	558,548
<u>Income (loss) before OPEB expenses</u>	(0)	0	-	-	-
Employee benefits - OPEB	(28,910)	(6,474)	-	-	(35,384)
Operating loss	(28,910)	(6,474)	-	-	(35,384)
<u>Non-Operating Activates</u>					
Interest Income	12	-	-	-	12
Interest Expense	(8,536)	(2,849)	-	900	(10,485)
Total Non-Operating Activities	(8,524)	(2,849)	-	900	(10,473)
Capital contributions	-	-	-	-	-
Change in Net Position	\$ (37,434)	\$ (9,323)	\$ -	\$ 900	\$ (45,857)

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

	Audited FYE 12/31/2015	Projected FYE 12/31/2016	Budgeted FYE 12/31/2017
<u>Operating Revenues:</u>			
Net patient service revenue	\$ 302,897	\$ 314,200	\$ 316,119
<u>Other Operating Revenues:</u>			
NYS IGT (DSH)	39,320	39,500	47,500
DSRIP / IAAF	21,174	30,866	29,899
Nassau County Billings	16,713	18,480	18,480
Federal & State Aid	6,130	16,300	16,000
Practice Plan Revenue	10,975	15,098	16,468
Miscellaneous	21,187	23,435	23,445
Total Operating Revenues	418,396	457,879	467,911
<u>Operating Expenses:</u>			
Salaries	204,452	207,267	208,738
Fringe Benefits	92,312	110,092	106,456
Supplies	36,461	40,445	37,811
Expenses	102,244	81,055	80,140
Utilities	13,567	14,245	14,720
Depreciation Expense	20,462	19,824	20,046
Total Operating Expenses	469,498	472,928	467,911
<u>Income (loss) before OPEB expenses</u>	(51,102)	(15,049)	(0)
Employee benefits - OPEB	(28,227)	(28,344)	(28,910)
Operating loss	(79,329)	(43,393)	(28,910)
<u>Non-Operating Activities</u>			
Interest Income	136	11	12
Interest Expense	(12,590)	(9,877)	(8,536)
Total Non-Operating Activities	(12,454)	(9,866)	(8,524)
Capital contributions	-	13,578	-
Change in Net Position	\$ (91,783)	\$ (39,681)	\$ (37,434)

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

	Audited FYE 12/31/2015	Projected FYE 12/31/2016	Budgeted FYE 12/31/2017
<u>Operating Revenues:</u>			
Net patient service revenue	\$ 57,461	\$ 54,176	\$ 59,417
<u>Other Operating Revenues:</u>			
NYS IGT (UPL)	8,018	12,377	7,000
DSRIP/IAAF	-	-	-
Nassau County Billings	-	-	-
Federal & State Aid	-	-	-
Practice Plan Revenue	-	-	-
Miscellaneous	549	558	520
Total Operating Revenues	66,028	67,111	66,937
<u>Operating Expenses:</u>			
Salaries	30,940	31,132	33,628
Fringe Benefits	16,813	20,059	19,840
Supplies	3,889	3,792	4,542
Expenses	7,457	6,220	6,792
Utilities	1,277	1,258	1,318
Depreciation Expense	852	816	816
Total Operating Expenses	61,228	63,276	66,937
<u>Income (loss) before OPEB expenses</u>	4,800	3,835	0
Employee benefits - OPEB	(5,818)	(6,347)	(6,474)
Operating loss	(1,018)	(2,512)	(6,474)
<u>Non-Operating Activities</u>			
Interest Income	17	1	-
Interest Expense	(1,874)	(2,851)	(2,849)
Total Non-Operating Activities	(1,857)	(2,850)	(2,849)
Capital contributions	-	-	-
Change in Net Position	\$ (2,875)	\$ (5,362)	\$ (9,323)

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

	Audited FYE 12/31/2015	Projected FYE 12/31/2016	Budgeted FYE 12/31/2017
<u>Operating Revenues:</u>			
Net patient service revenue	\$ 22,895	\$ 27,727	\$ 30,168
<u>Other Operating Revenues:</u>			
NYS Intergovernmental transfer	-	-	-
Interim Access Assurance Fund (IAAF)	-	-	-
Nassau County Billings	-	-	-
Federal & State Aid	-	-	-
Practice Plan Revenue	(10,975)	(15,098)	(16,468)
Miscellaneous	-	-	-
Total Operating Revenues	11,920	12,629	13,700
<u>Operating Expenses:</u>			
Salaries	9,570	10,638	11,600
Fringe Benefits	388	407	500
Supplies	-	-	-
Expenses	1,962	1,584	1,600
Utilities	-	-	-
Depreciation Expense	-	-	-
Total Operating Expenses	11,920	12,629	13,700
<u>Income (loss) before OPEB expenses</u>	-	-	-
Employee benefits - OPEB	-	-	-
Operating loss	-	-	-
<u>Non-Operating Activities</u>			
Interest Income	-	-	-
Interest Expense	-	-	-
Total Non-Operating Activities	-	-	-
Capital contributions	-	-	-
Change in Net Position	\$ -	\$ -	\$ -

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

	Audited FYE 12/31/2015	Projected FYE 12/31/2016	Budgeted FYE 12/31/2017
<u>Operating Revenues:</u>			
Net patient service revenue	\$ -	\$ -	\$ -
<u>Other Operating Revenues:</u>			
NYS IGT (DSH & UPL)	-	-	-
DSRIP	-	-	-
Nassau County Billings	-	-	-
Federal & State Aid	-	-	-
Practice Plan Revenue	-	-	-
Miscellaneous	8,337	10,000	10,000
Total Operating Revenues	8,337	10,000	10,000
<u>Operating Expenses:</u>			
Salaries	-	-	-
Fringe Benefits	-	-	-
Supplies	-	-	-
Expenses	(14,326)	10,000	10,000
Utilities	-	-	-
Depreciation Expense	-	-	-
Total Operating Expenses	(14,326)	10,000	10,000
<u>Income (loss) before OPEB expenses</u>	22,663	-	-
Employee benefits - OPEB	-	-	-
Operating loss	22,663	-	-
<u>Non-Operating Activities</u>			
Interest Income	5	-	-
Interest Expense	900	900	900
Total Non-Operating Activities	905	900	900
Capital contributions	6,250	-	-
Change in Net Position	\$ 29,818	\$ 900	\$ 900