



FY 2018 Operating Budget Expense Assumptions

- The proposed FY 2018 budget includes a provision of \$4.9 million for wage and salary increases in FY 2018. An additional \$3.2 million is associated with incorporating a full year of new positions related to performance improvement programs initiated in the prior year. These initiatives were developed to increase volumes while improving patient outcomes and patient satisfaction scores.
- The Clinical Service Agreements with Rutgers have been projected to increase by \$2.3 million as compared to FY 2017. This is a result of the elimination of all FY 2017 performance based credits, as Rutgers physicians are expected to fulfill all performance obligations in FY 2018. The Graduate Medical Education (GME) portion is anticipated to increase \$1.0 million. This is a result of funding 9 additional residents for the Internal Medicine and Neurology Programs .
- Supplies and Facility Service agreements with RBHS are projected to increase by \$5.3 million or 2.4% as compared to FY 2017. This is a result of economic factor adjustments, offset by anticipated savings in rent and utility payments.
- University Hospital interest payments have been projected using amortization tables for the \$255 million bond, offset by the bond premium calculated at the effective interest rate.
- Depreciation expense is projected to be \$22.0 million in FY 2018. This is a result of an increase in FY 2018 projected operating capital expenditures of \$8 million for routine and emergency capital needs, IT capital purchases of \$15.0 million for the Data Center as well as \$16 million in other capital needs related to OR suite expansion, the Cancer Center and Radiology capital. Additional capital expenditures of \$12.5 million have also been projected for the Higher Education Trust Fund Grant.



FY 2018 Operating Budget – Budgeted Volumes

	FY 2017	FY 2017	FY 2018
	Budget	Projected YE	Proposed Budget
Discharges	17,390	17,040	17,020
Adjusted Discharges	24,690	24,480	24,990
Patient Days	108,500	109,700	109,600
Average Length of Stay	6.24	6.44	6.44
Average Daily Census	297.3	300.5	300.3
Emergency Department Net Visits	79,900	80,200	80,200
Observation Visits	7,580	7,640	7,640
Ambulatory Clinic Volume	170,800	165,000	165,000
Inpatient Surgery Volume	4,900	4,530	4,530
Outpatient Surgery Volume	9,420	9,320	9,320
Inpatient Case Mix	1.681	1.712	1.712
Inpatient Medicare Case Mix	1.843	1.874	1.874



FY 2018 Operating Budget – Statement of Revenue & Expenses

	FY 2017 Budget	FY 2017 Projected YE	FY 2018 Proposed Budget
<u>(in thousands)</u>			
<u>Revenues</u>			
Net Patient Service Revenues	443,829	436,600	445,318
Patient Subsidies	53,554	53,680	58,866
Net Patient Service Revenues	497,383	490,280	504,184
Fringe Benefits	96,000	96,000	97,200
Special State Appropriation	43,841	43,841	43,841
Miscellaneous Income	28,807	27,500	21,325
Total Revenues	666,031	657,621	666,550
<u>Expenses</u>			
Salaries & Wages	249,151	245,200	253,827
Contracted MDs	60,000	58,200	60,530
Contracted Residents	18,490	19,400	20,389
Fringe Benefits	98,500	99,400	101,200
Supplies and Other	194,926	194,500	201,644
Interest Expense	16,296	15,200	15,780
Facilities Service/Lease Agreements	16,152	17,600	16,704
Depreciation / Amortization	20,000	20,100	22,000
Credits and Adjustments	-	(5,800) *	-
Total Expenses	673,515	663,800	692,074
Surplus/(Deficit) from Operations	(7,484)	(6,179)	(25,524)
Performance Improvement Initiatives	-	-	9,326
Surplus/(Deficit) from Operations After Performance Improvement Initiatives	(7,484)	(6,179)	(16,198)
Special State Appropriation Adjustment	-	(10,000)	-
Surplus/(Deficit) from Operations after SNJ Appropriation Adjustment	(7,484)	(16,179)	(16,198)
Higher Education Trust Fund (HETF) Grant	14,000	980	12,450
Surplus/(Deficit) from Operations and HETF Grant Capital Projects	6,516	(15,199)	(3,748)
GASB 68 Pension Related Cost	30,000	32,500	33,150
Surplus/(Deficit) After Capital Projects & Pension Expense	\$ (23,484)	\$ (47,699)	\$ (36,898)

* Credit due to an over accrual of retroactive salary increases related to prior periods FY15 and FY16



FY 2018 Operating Budget – Performance Improvement Initiatives

			i	ii	iii	A	B	
Responsible Executive	Initiative Number	Initiative Description	Potential Annual Net Impact	Success %	Anticipated Implementation Date	FY 2018 Anticipated Impact	Retro Related Impact	A + B FY 2018 Budget Full Impact
Matey/Iadarola	18- 1	No Fault Additional Reimbursement-No Fault cases	420,000	80%	Jul-17	336,000	-	336,000
Kirton/Beckett	18- 2	Sitter Program	360,000	80%	Jul-17	288,000	-	288,000
Abookire/Stern	18- 3	Nursing Home Placement for Indigent IP & Other LOS adjustments	1,800,000	60%	Jan-18	540,000	-	540,000
Hamstra/Emont	18- 4	UH Retail Pharmacy	800,000	100%	Jan-18	400,000	-	400,000
Dauhjre/Rondan-Mann	18- 5	Savings in contracted language (LEP) services	400,000	100%	Jan-18	200,000	-	200,000
Daly/Iadarola	18- 6	Wound care indirect expense offset	150,000	100%	Jan-18	75,000	-	75,000
Hastings/Iadarola	18- 7	Pediatrics UH-BI	420,000	80%	Sep-17	280,000	-	280,000
Daly/Kirton	18- 8	Overtime reduction	1,300,000	80%	Jul-17	1,040,000	-	1,040,000
Hamstra/Iadarola	18- 9	Resident Training	250,000	100%	Jul-17	250,000	1,000,000	1,250,000
Hastings/Dennis	18- 11	Supply Chain Savings	5,000,000	100%	Oct-17	3,750,000	-	3,750,000
Hastings/Kirton	18- 12	Re-purposing of Peds beds	1,000,000	80%	Sep-17	833,333	-	833,333
Hastings/Kirton	18- 13	Neuro additional volume	400,000	80%	Sep-17	333,333	-	333,333
		Totals	12,300,000			8,325,667	1,000,000	9,325,667



FY 2018 Operating Budget –Capital Budget

(in Millions)

Source of Funding :

Series 2015A Bond Capital Reserve Fund - Balance @ 7/1/2016	\$ 107.5
FY 2017 Capital Purchases	\$ (20.2)
FY 2017 Encumbered Capital Purchases	\$ (3.6)
Projected Remaining Balance as of 6/30/2017	<u>\$ 83.7</u>

Use of Funds:

FY 2018 Capital Projects:

IS&T Data Center Start-up	\$ (15.0)
Routine/ Emergency Capital Needs	\$ (8.0)
Other Capital Projects including OR Suites, ACC, CINJ and Diagnostic Radiology	<u>\$ (16.0)</u>
Total FY 2018 Capital	\$ (39.0)
Projected Remaining Balance from Bond Proceeds as of 6/30/2018	<u><u>\$ 44.7</u></u>



FY 2018 Operating Budget – Higher Education Capital Budget

(in Millions)

Source of Funding :

Higher Education Trust Fund (HEFT Grant) 7/1/2016 Balance	\$ 33.7
FY 2017 Encumbered Capital Purchases	<u>\$ (1.2)</u>
Projected Remaining Balance as of 6/30/2017	\$ 32.5

Use of Funds:

FY 2018 Capital Projects:

Emergency Power Generator	\$ (6.0)
Sprinkler System	\$ (5.2)
HVAC System Upgrades	<u>\$ (1.3)</u>
Total FY 2018 Capital	\$ (12.5)
Projected Remaining Balance from HEFT Grant Proceeds as of 6/30/2018	<u><u>\$ 20.0</u></u>



FY 2018 Operating Budget – Forecasted Cash Flow

	FY 2018 Proposed Budget
<u>Cash flows from operating activities</u>	
Change in net assets	\$ (3,748,000)
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Add back depreciation and amortization	22,000,000
Increase (decrease) in cash resulting from a change in:	-
Increase (decrease) in accounts payable, payroll and accrued expenses	(8,000,000)
Net cash gain (loss) from operating activities	<u>14,000,000</u>
Cash flows from investing activities:	
Deduct capital expenditures:	
Bond specific purpose related capital expenditures	(31,000,000)
Bond routine and emergency capital replacement	(8,000,000)
Higher education grant capital expenditures	(12,450,000)
Net cash used in investing activities	<u>(51,450,000)</u>
Cash flows from financing activities:	
Add funds reimbursed by Bond for capital investments	39,000,000
Add funds reimbursed by Higher Education grant capital investments	12,450,000
Net cash provided (used in) financing activities activities	<u>51,450,000</u>
Net increase (decrease) in cash and cash equivalents in this period	10,252,000
Cash and cash equivalents beginning of period	\$ 68,286,000
Cash and cash equivalents end of period	\$ 78,538,000
Days cash on hand beginning of period	40.0
Days cash on hand at end of period	46.0