

Capital and Operating Budget Fiscal Year 2015

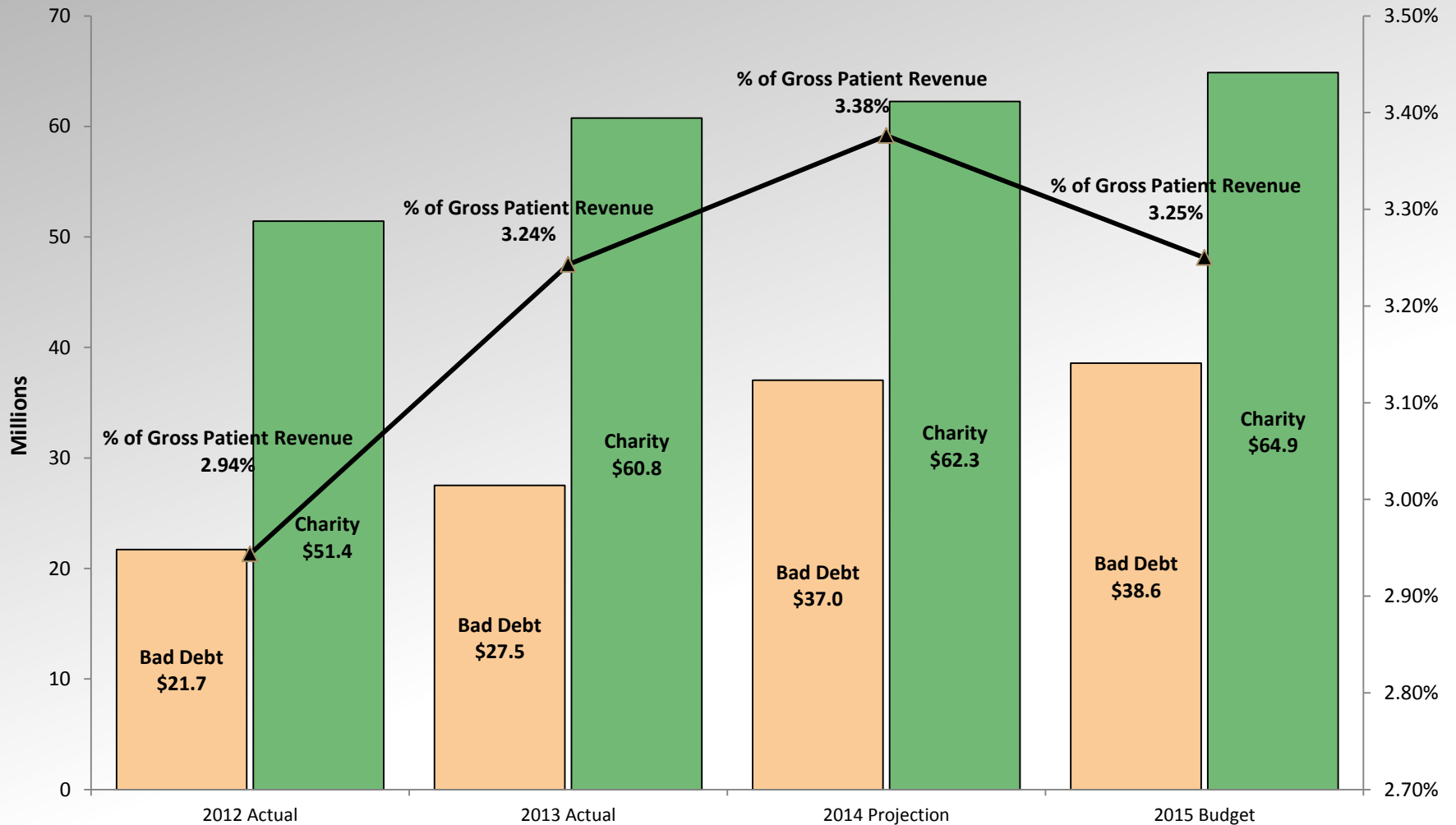
Executive Summary
and Highlights
June 4, 2014
(excerpt for reporter)

Analysis of Patient Activity Changes

	FY2013 <u>Actual</u>	FY2014 <u>Projected</u>	FY2015 <u>Budget</u>	FY14 Proj. to FY15 <u>% Change</u>	FY13 Actual to FY15 <u>% Change</u>
Admissions	28,120	28,603	29,028	1.5%	3.2%
Inpatient Days	143,500	144,291	148,581	3.0%	3.5%
Average Daily Census	393	395	407	3.0%	3.5%
Case Mix Index	2.00	2.02	2.05	1.5%	2.5%
Clinic Visits	605,174	607,696	615,708	1.3%	1.7%
Emergency Visits	47,369	48,624	50,547	4.0%	6.7%
Surgical Cases ⁽¹⁾	26,813	27,048	27,405	1.3%	2.2%

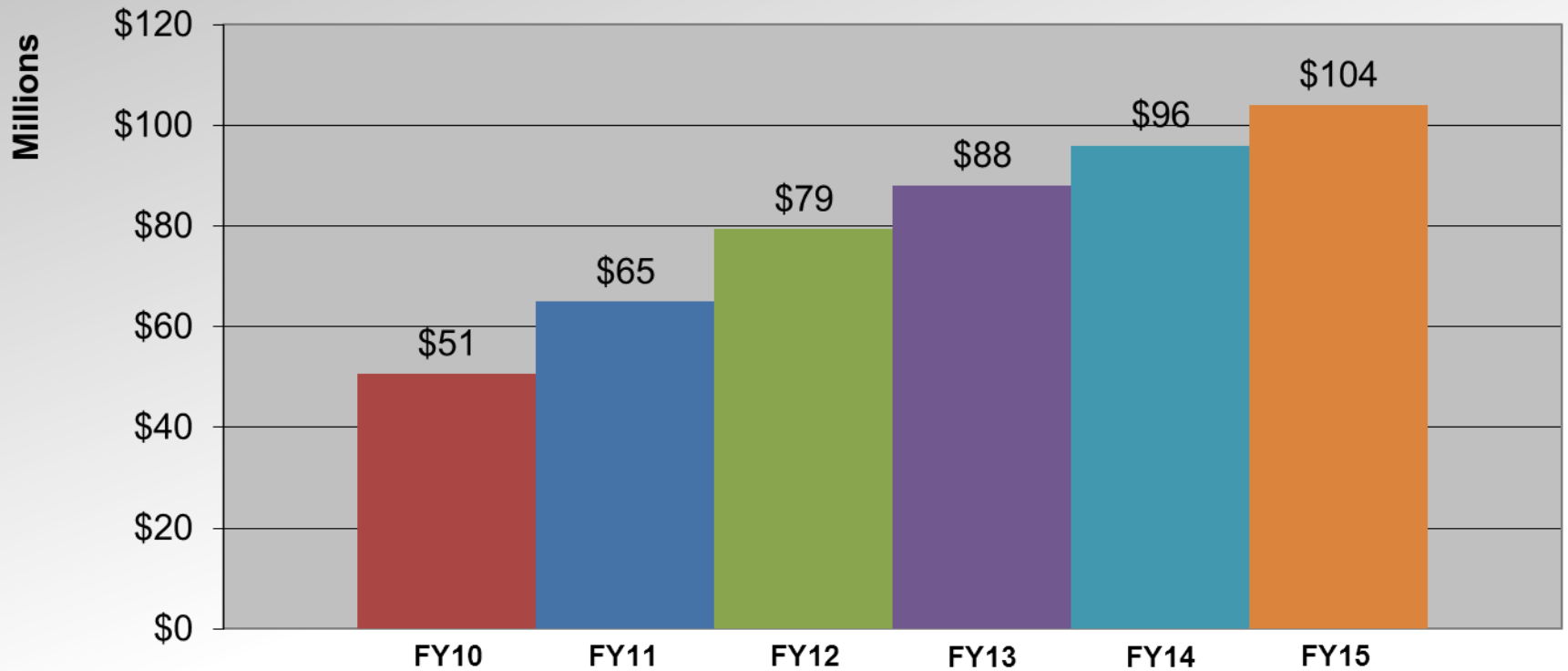
(1) Excludes Out of OR/Road Cases

Comparison of Charity Care & Bad Debt Expense



Affiliation Agreement

UWHCA Annual Totals



Cost Structure Changes

FY14 Projected to FY15 Budget

Standard Inflation (3.0%)	\$	20.0 M
Increase in Medical Supply Costs (including drugs)		13.0
FTE Additions		21.6
Increased Depreciation/Interest Expense		5.3
Increased Medicaid Tax Assessment		1.3
UHC Contributions		2.9
Affiliation Agreement		8.0
Other		1.3
Total Expense Increase	<u>\$</u>	<u>73.4 M</u>

Income from Operations Changes from FY2014 to FY2015

FY 2014 Operating Income - projected		\$65.5 M
a. Volumes	\$ 50.0 M	
b. Price/Reimbursement @ 5.0%	38.8 M	
c. Payor Mix Change	(6.9) M	
d. Bad Debt/Charity	(4.2) M	
e. Inflation	(20.0) M	
f. Cost Changes	<u>(53.4) M</u>	
		\$ 4.3 M
FY 2015 Operating Income - budget		<u><u>\$ 69.8 M</u></u>

Summary Profit and Loss Statement

(000's omitted)	FY 13 Actual	FY 14 Projection	FY 15 Budget	Dollar Variance	% Change
Gross Patient Revenues	\$ 2,721,738	\$ 2,940,782	\$ 3,183,337	\$ 242,555	8.2%
Less Provision for Bad Debt & Charity Allowances	88,265	99,288	103,458	4,170	4.2%
	<u>1,400,193</u>	<u>1,542,942</u>	<u>1,703,681</u>	<u>160,739</u>	10.4%
Net Patient Revenues	1,233,280	1,298,552	1,376,198	77,646	6.0%
Other Revenues	<u>24,367</u>	<u>20,549</u>	<u>20,675</u>	<u>126</u>	0.6%
Total Revenue	<u>1,257,647</u>	<u>1,319,101</u>	<u>1,396,873</u>	<u>77,772</u>	5.9%
Salaries	435,580	459,478	483,563	24,085	5.2%
Benefits	161,147	186,471	188,309	1,838	1.0%
Supplies, Drugs and Other Expenses	508,167	548,228	590,414	42,186	7.7%
Interest	10,110	11,160	11,396	236	2.1%
Depreciation	<u>44,121</u>	<u>48,308</u>	<u>53,351</u>	<u>5,043</u>	10.4%
Total Expenses	<u>1,159,125</u>	<u>1,253,645</u>	<u>1,327,033</u>	<u>73,388</u>	5.9%
Operating Income	<u>98,522</u>	<u>65,456</u>	<u>69,840</u>	<u>4,384</u>	6.7%
Total Non-operating Revenue	<u>(17,270)</u>	<u>18,087</u>	<u>17,546</u>	<u>(541)</u>	-3.0%
Excess of Revenue over Expenses	<u>\$ 81,252</u>	<u>\$ 83,543</u>	<u>\$ 87,386</u>	<u>\$ 3,843</u>	4.6%
EBITDA	\$ 135,483	\$ 143,011	\$ 152,133	\$ 9,122	6.4%

Summary of Non-Operating Revenue

<u>(000's omitted)</u>	<u>FY13</u> <u>Actual</u>	<u>FY 14</u> <u>Projection</u>	<u>FY 15</u> <u>Budget</u>	<u>Dollar</u> <u>Variance</u>	<u>%</u> <u>Change</u>
Investment Income & Other	\$ 20,158	\$ 14,894	\$ 15,721	\$ 827	5.6%
Change in Fair Value Gain (Loss) on Swap Agreements	2,869	1,804	0	(1,804)	100.0%
Payment to UWSMPH, SON, and HIMC for capital expenditures	(43,648)	(2,325)	(2,567)	(242)	-10.4%
UWHC interests in Joint Venture results	3,351	3,714	4,392	678	18.3%
Total Non-Operating Income	<u>\$ (17,270)</u>	<u>\$ 18,087</u>	<u>\$ 17,546</u>	<u>\$ 137</u>	<u>0.8%</u>

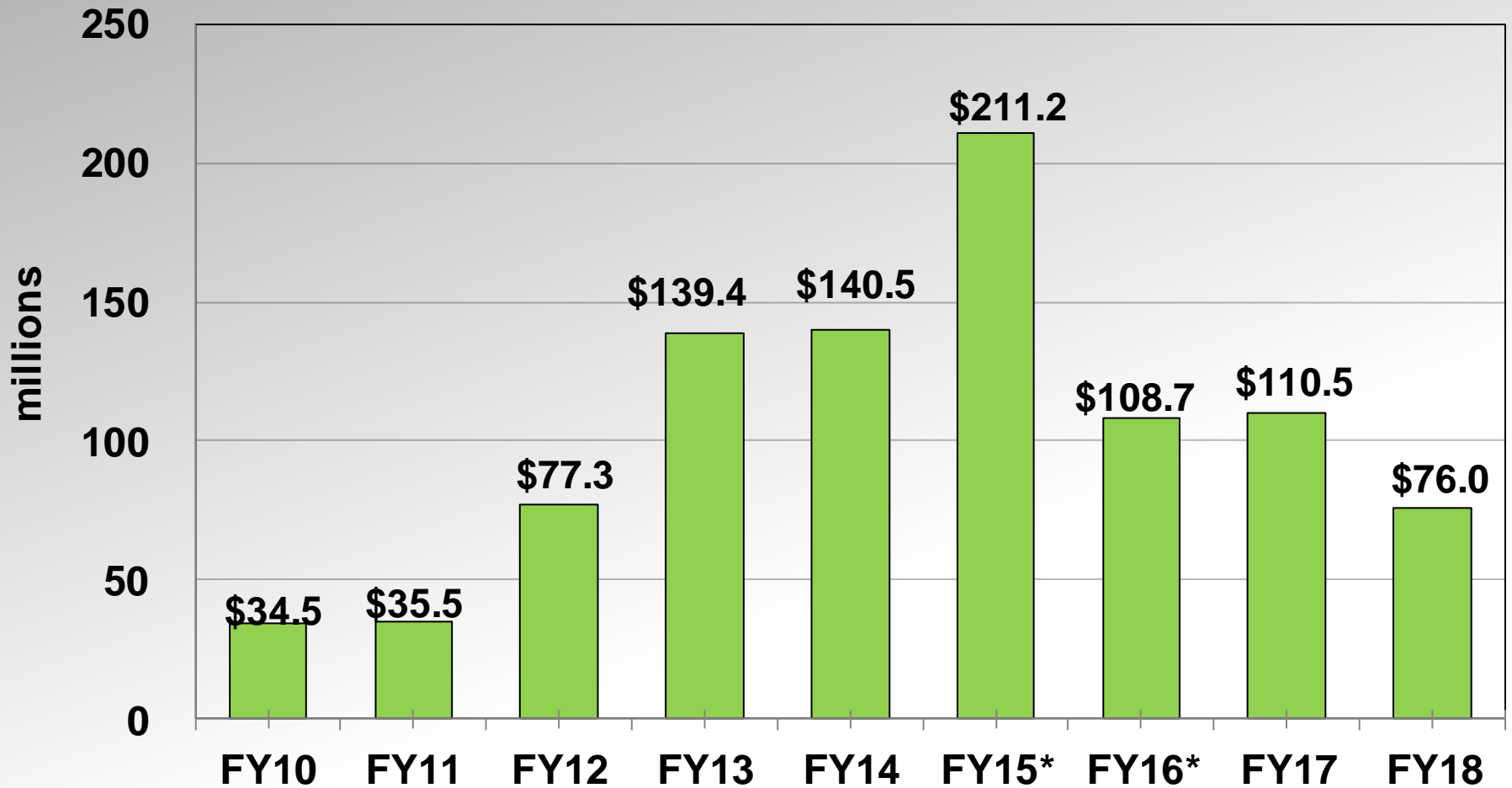
Financial Ratios

Ratio	UWHC			S&P		Moody's	
	2013	Projected 2014	Budget 2015	AA-	A+	Aa3	A1
<u>Profitability ratios</u>							
Operating margin	7.8%	5.0%	5.0%	4.4%	5.0%	3.5%	3.6%
Total margin	6.8%	6.1%	6.2%	7.2%	7.5%	7.2%	7.0%
EBITDA margin	10.8%	10.8%	10.9%	11.2%	12.2%	10.4%	10.9%
<u>Debt ratios</u>							
Maximum Debt Service Coverage	5.0	4.3	4.6	5.8	5.1	6.0	5.3
Cash to debt	148%	164%	172%	248%	197%	177%	151%
Debt to capitalization	36%	33%	31%	26%	27%	32%	35%
<u>Other balance sheet ratios</u>							
Days cash on hand	231	222	220	301	278	239	219
Days in AR	43	45	45	51	50	52	50

Summary of FY 2015 Capital Budget

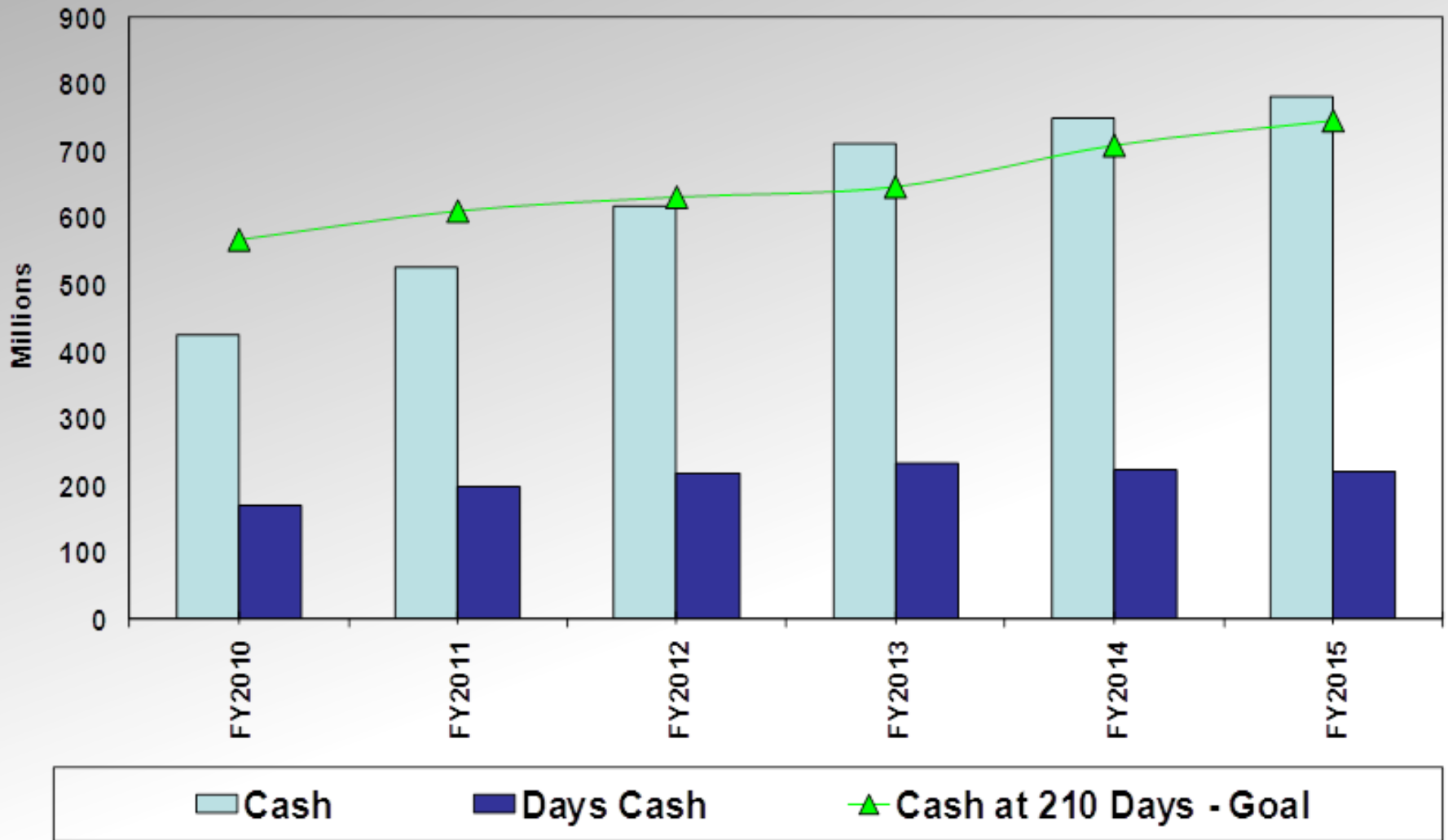
Category	Amount
Major Projects	\$158,000,000
Equipment > \$250,000	\$27,769,618
Equipment < \$250,000	\$9,090,351
Construction & Infrastructure > \$250,000	\$7,889,839
Construction < \$250,000	\$259,399
Facilities Contingency	\$2,000,000
Equipment Contingency	\$2,040,793
Capital Contribution WIMR II	\$1,000,000
Inntowner Capital Contribution	\$150,000
Capital Contribution - University Health Care, Inc.	\$3,000,000
Total	\$211,200,000

Capital Expenditures FY'10-18



*FY15 and FY16 include \$20 million for Rehab Hospital and an additional \$18 million for The American Center

Cash



- Assumes we achieve 5% operating margin FY 2014 & FY 2015

Recommendations

The Finance Committee of the University of Wisconsin Hospitals and Clinics Authority recommends to the Board of UWHCA:

- Approval of the FY2015 Capital Budget in the amount of \$211.2 million to be funded from Series 2013 Bonds and operations.
- Approval of a 5.0% price increase effective July 1, 2014. (Approved at May 7th, Finance Committee and Board Meetings.)
- Approval of the FY2015 Operating Budget including the achievement of an Operating Margin of 5%.