



Budget Hearing

October 26, 2022

Agenda

- + Setting the landscape
 - Our process
 - Philosophy and decisions that impact the entire budget
- + Operating Budget
 - In summary
 - Key Performance Indicators
- + Capital Investments
 - Capital & projects budget: 2023-2026
- + Remaining Questions
 - Please stop me for questions throughout the presentation too

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Setting the Landscape

- + Vocabulary Reference
- + Our Budget Process
- + Philosophy and Key Themes
- + Need for Healthy Finances
 - + Tax Revenues

Gross Revenue



The charges generated by each department for services rendered. 2023 gross revenue is increased by both volume, and price changes.

Net Revenue



What we expect to collect from gross revenue/charges we generate. We generally collect about 45% of gross revenue (charges).

Contractual adjustments



The amount we expect to “write off” from the amount charged to determine net revenue.

FTEs: Full time equivalents



1.0 FTE= 2080 hours, a full-time employee. Hours for part time or per diem employees are added to calculate FTEs for budget and reporting purposes. FTEs include productive (worked) and non-productive (paid time off) time.

Operating/Total Margin



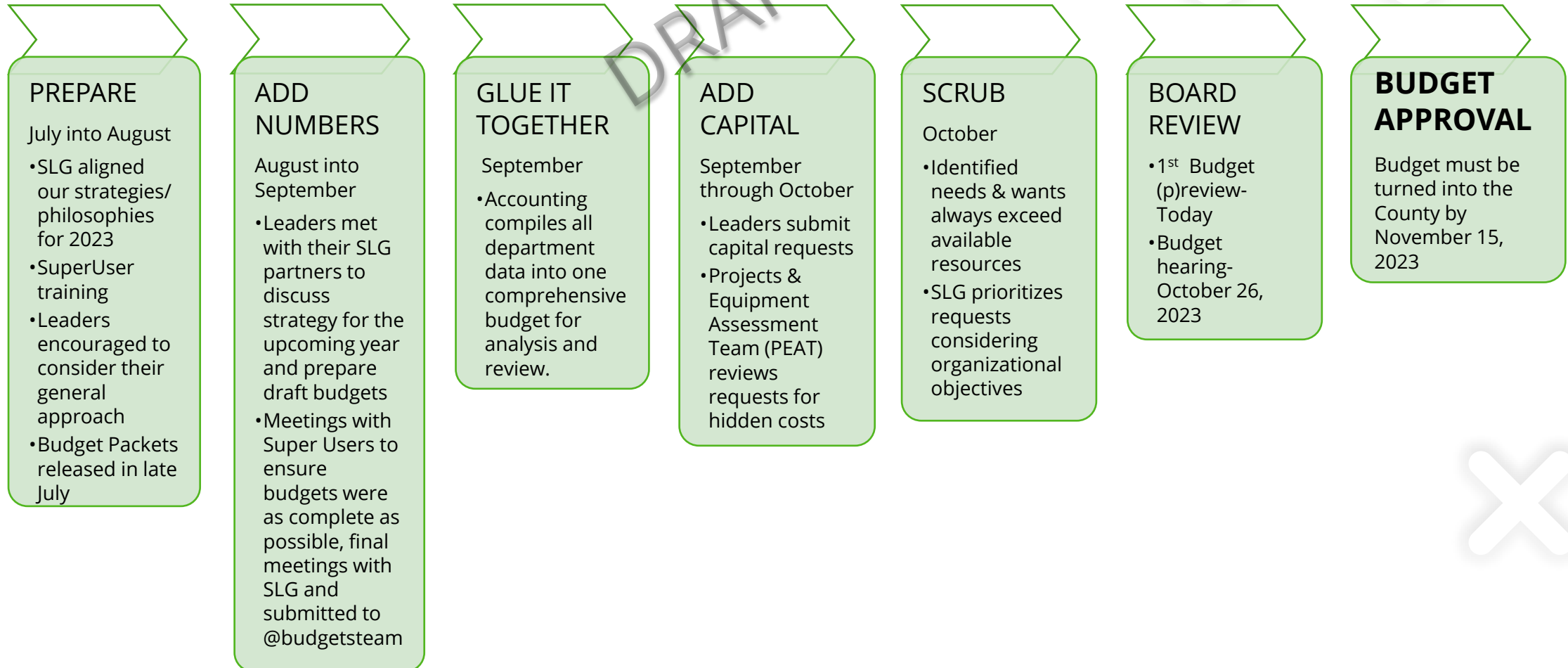
Operating and Total Margin are profitability indicators. Margin is calculated by dividing Operating Income (for Operating Margin) or Change in Net Position (for Total Margin) by Total Operating Revenues. A healthy Total Margin for a hospital is between 2 and 6 percent

Any others?



OUR BUDGET PROCESS

Our intent is to facilitate a conversation to bring organization goals and ideas from leaders across Jefferson Healthcare into a comprehensive plan for the year(s) ahead



Philosophy and Key Themes



Aim for margin improvement in each department.

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Budgeting for staff instead of contract labor (we will have overages in contract labor if we are unable to fill positions).



4.5% price increase. A third party compared our prices to the local market and all WA CAH noting we were below market. Increases are not across the board.



Pricing History

Most facilities increase rates 3-5% annually

- + 2008 – 7%
- + 2009 – 28% IP/OP, 6% Clinic, 0% HH/H
- + 2010 – 10% IP/OP, 7% Clinic, 0% HH/H
- + 2011 – 7-10% average
- + 2012 – 5%
- + 2013 – 2.99%
- + 2014 – 3%
- + 2015 – 3%
- + 2016 – 1.25%
- + 2017 – 2.9%
- + 2018 – decrease noted
- + 2019 – varied, no overall noted
- + 2020 – 1.5%
- + 2021 – 1.5%
- + 2022 – 3%

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Property Tax Assessment

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- + Budget is set at 1% option
- + Preliminary 2022 assessments for 2023 taxes are \$8,574,439,947 up from \$7,064,612,440
- + Budgeted average daily operating expenditures are ~\$430,000
- + A home appraised at 400k pays \$24/Year

ESTIMATE FOR "2023" BUDGET

"2022" ACTUAL AMOUNT	
INCREASE OF 0% RESOLUTION AMOUNT	\$ 502,287.83
NEW CONST & UTIL (EST) +	\$ 6,202.24
REFUNDS (EST) +	\$ 315.80
TOTAL	\$ 508,805.87
(0% INC) BUDGET ON THE HIGH SIDE =	\$ 516,000

As of 9/23/2022

As of 9/23/2022

Estimated Levy Rate .05943

"2022" ACTUAL AMOUNT	\$ 502,287.83
*INCREASE OF 1% (\$5,022.88)	X 1.01
RESOLUTION AMOUNT	507,310.71
NEW CONST & UTIL (EST) +	\$ 6,202.24
REFUNDS (EST) +	\$ 315.80
TOTAL	\$ 513,829
(1% INC/MAX AMOUNT) BUDGET ON THE HIGH SIDE =	\$ 521,000

As of 9/23/2022

As of 9/23/2022

Estimated Levy Rate .05995

Public Hospital District Support Across Our Region

Hospital	2021 Operating expenses	2021 Tax revenues
Whidbey Health Coupeville	*\$114,532,041	*\$5,647,435
Olympic Medical Center Port Angeles	\$242,205,604	\$4,644,110
Island Hospital Anacortes	*\$95,985,257	**\$5,674,404
Mason General Hospital Shelton	\$124,602,578	\$2,332,920
Forks General Hospital Forks	\$36,241,913	\$869,061
Jefferson Healthcare Port Townsend	\$139,287,375	\$503,708

*2019 Data

**2020 Data

Community Benefit (2021)

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\$3.9M

Free and
Discounted Care
(Charity Care)

\$5.5M

Uncompensated
Care (Bad Debt)

\$685k

Reimbursed
Employee
Patient
Responsibility



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Operating Budget

In Summary and Key Performance Indicators

Revenue Budget (draft)

2023 Budget														
Income Statement Summary														
	2018		2019		2020		2021		2022			2023		Change
	Actual		Actual		Actual		Actual		Actual		Budget		Budget	2022 actual to 2023 budget
01_IP REVENUE	(44,536,959)		(45,443,362)		(36,422,817)		(39,798,235)		(40,776,866)		(39,607,278)		(44,289,700)	(3,512,834)
02_OP REVENUE	(182,829,052)		(215,981,528)		(219,712,976)		(258,196,696)		(271,990,102)		(285,384,160)		(302,948,183)	(30,958,081)
TOTAL PATIENT REVENUES	(227,366,011)		(261,424,890)		(256,135,793)		(297,994,930)		(312,766,968)		(324,991,437)		(347,237,883)	(34,470,915)
05_REV DED/MEDICARE	74,145,841	-33%	91,492,106	-35%	87,017,560	-34%	101,037,808	-34%	108,740,394	-35%	111,068,981	-34%	120,819,227	12,078,832
06_REV DED/MEDICAID	21,742,354	-10%	22,877,091	-9%	20,576,268	-8%	24,210,889	-8%	24,690,104	-8%	26,920,303	-8%	27,338,127	2,648,023
07_CHARITY CARE	2,363,239	-1%	3,133,646	-1%	2,858,135	-1%	3,872,263	-1%	1,513,829	0%	2,490,441	-1%	2,212,203	698,374
08_CONT ADJ OTHER	18,266,670	-8%	21,556,076	-8%	25,834,176	-10%	25,786,502	-9%	30,213,299	-10%	31,016,082	-10%	33,511,501	3,298,202
09_REV DED/ADMIN	1,583,906	-1%	1,050,540	0%	99,324	0%	420,023	0%	763,840	0%	1,034,684	0%	848,025	84,185
10_BAD DEBTS	2,539,973	-1%	4,156,626	-2%	2,943,230	-1%	5,525,532	-2%	4,030,179	-1%	5,053,896	-2%	4,074,417	44,238
TOTAL REVENUE ADJUSTMENTS	120,641,984	-53.1%	144,266,087	-55.2%	139,328,693	-54.4%	160,853,017	-54.0%	169,951,646	-54.34%	177,584,388	-54.64%	188,803,500	18,851,854
NET PATIENT SERVICE REVENUE	(106,724,027)		(117,158,803)		(116,807,100)		(137,141,913)		(142,815,322)		(147,407,049)		(158,434,383)	(15,619,061)
11_GRANTS	(136,800)		(1,487,966)		(10,068,569)		(2,433,269)		(3,512,903)		(100,000)		(285,000)	3,227,903
12_OTHER REVENUE	(2,029,963)		(1,923,360)		(2,181,441)		(2,435,161)		(2,310,458)		(2,002,683)		(1,469,499)	840,959
13_REV/MEANINGFUL USE	(85,000)		-		25,500		-		-		-		-	-
14_340B REVENUE	(3,473,711)		(4,000,004)		(3,013,339)		(4,018,089)		(3,211,336)		(4,466,467)		(3,574,945)	(363,609)
TOTAL OTHER REVENUES	(5,725,475)		(7,411,329)		(15,237,848)		(8,886,518)		(9,034,697)		(6,569,150)		(5,329,444)	3,705,253
TOTAL OPERATING REVENUES	(112,449,502)		(124,570,133)		(132,044,948)		(146,028,431)		(151,850,018)		(153,976,199)		(163,763,827)	(11,913,809)

Expense Budget (draft)

2023 Budget													
Income Statement Summary													
	2018		2019		2020		2021		2022			2023	Change
	Actual		Actual		Actual		Actual		Actual	Budget		Budget	2022 actual to 2023 budget
20_SALARIES	53,789,300		57,868,513		65,354,953		70,569,440		73,576,517	77,370,261		81,236,501	7,659,983
21_EMPLOYEE BENEFITS	13,194,699	24.5%	13,754,785	23.8%	14,860,126	22.7%	15,912,501	22.5%	16,982,375	17,974,727	23.1%	18,419,159	1,436,784
22_PROFESSIONAL FEES	4,936,990		5,499,428		2,309,334		2,318,251		4,669,834	1,994,970		2,770,700	(1,899,134)
23_PURCHASED SERVICES	6,200,329		7,606,446		9,146,132		9,358,190		9,447,353	8,887,469		12,157,267	2,709,914
24_SUPPLIES	18,385,208		23,368,094		24,723,512		28,450,971		30,532,460	29,644,148		31,183,178	650,719
25_INSURANCE	740,154		697,227		897,783		1,154,749		838,976	1,470,497		1,082,684	243,708
26_LEASES/RENTALS	1,531,748		1,614,772		1,609,961		1,681,491		852,364	592,012		220,153	(632,211)
27_DEPRECIATION	4,702,670		4,742,475		4,813,612		4,376,459		5,148,248	6,231,089		5,626,961	478,713
28_REP&MAINT	634,624		677,875		1,025,865		629,685		780,647	1,134,118		1,092,401	311,754
29_UTILITIES	1,148,119		1,177,149		1,203,550		1,194,548		1,674,572	1,020,783		1,476,766	(197,806)
30_LICENSES/TAXES	641,424		741,428		749,187		868,269		853,548	919,542		887,720	34,172
31_OTHER	1,873,356		2,443,664		2,086,683		1,794,270		1,955,250	2,840,703		2,861,646	906,396
TOTAL OPERATING EXPENSES	107,778,619		120,191,856		128,780,699		138,308,824		147,312,144	150,080,319		159,015,135	11,702,992
OPERATING (INCOME) LOSS	(4,670,883)		(4,378,277)		(3,264,250)		(7,719,608)		(4,537,874)	(3,895,881)		(4,748,691)	(210,817)

Nonoperating Budget and Ratios (draft)

2023 Budget											
Income Statement Summary											
	2018	2019	2020	2021	2022		2023		Change		
	Actual	Actual	Actual	Actual	Actual	Budget	Budget	Budget	2022 actual to	2023 budget	
40_TAX M&O	(265,881)	(243,964)	(243,631)	(279,034)	(288,190)	(291,200)	(294,000)	(294,000)	(5,810)		
41_TAX DEBT	(195,318)	(228,232)	(211,771)	(224,121)	(256,310)	(219,800)	(227,000)	(227,000)	29,310		
41.1_TAX REFUNDS	-	-	-	-	-	-	-	-	-		
42_INVESTMENT INCOME	(416,446)	(527,668)	(198,310)	(278,597)	(192,167)	(332,000)	(201,400)	(201,400)	(9,233)		
43_INTEREST EXPENSE	1,031,740	987,405	977,279	958,170	970,049	907,486	880,769	880,769	(89,280)		
44_GAIN/LOSS ON SALE	(2,922)	61,507	-	-	-	-	-	-	-		
45_CONTRIBUTIONS	(145,545)	(206,083)	(354,874)	(50,264)	(34,469)	(103,318)	(138,000)	(138,000)	(103,531)		
46_EXTRAORDINARY	-	-	-	-	-	-	-	-	-		
47_BOND ISSUE COSTS	-	-	-	-	-	-	-	-	-		
TOTAL NONOPERATING (REVENUES) EXPENSES)	5,627	(157,035)	(31,306)	126,154	198,912	(38,832)	20,369	20,369	(178,543)		
CHANGE IN NET POSITION: (POSITIVE)/NEGATIVE	(4,665,255)	(4,535,312)	(3,295,556)	(7,593,453)	(4,338,962)	(3,934,713)	(4,728,322)	(4,728,322)	(389,360)		
Operating Margin	4.15%	3.51%	2.47%	5.29%	2.99%	2.53%	2.90%	2.90%	-0.09%		
Total margin	4.15%	3.64%	2.50%	5.20%	2.86%	2.56%	2.89%	2.89%	0.03%		
Salaries & Benefits as a % of net pt. service rev.	62.76%	61.13%	68.67%	63.06%	63.41%	64.68%	62.90%	62.90%	-0.51%		
Supplies as a % of net pt. service rev.	17.23%	19.95%	21.17%	20.75%	21.38%	20.11%	19.68%	19.68%	-1.70%		

Department Statistics

STATISTIC DESCRIPTION	2023	2022 – ANNUALIZED (data through August 2022)			
	YTD BUDGET	YTD ACTUAL	YTD BUDGET	% VARIANCE 2022	% VARIANCE
				ACTUAL TO 2023 BUDGET	2022 BUDGET TO 2023 BUDGET
FTEs - TOTAL (AVG)	699.63	572	674	22%	4%
ADJUSTED PATIENT DAYS	37,350	35,282	33,080	6%	13%
ICU PATIENT DAYS (IP + OBSERVATION, MIDNIGHT CENSUS)	1,270	1,289	890	-1%	43%
ACU PATIENT DAYS (IP + OBSERVATION, MIDNIGHT CENSUS)	3,494	3,434	3,257	2%	7%
SWING IP PATIENT DAYS (MIDNIGHT CENSUS)	20	95	190	-79%	-89%
PATIENT DAYS (ACU, ICU, SWING), INCLUDES OBSERVATION	4,784	4,817	4,337	-1%	10%
BIRTHS	96	108	96	-11%	0%
SURGERY CASES (IN OR)	1,571	1,452	1,633	8%	-4%
SURGERY MINUTES (IN OR)	195,438	180,356	202,938	8%	-4%
SPECIAL PROCEDURE CASES	835	828	929	1%	-10%
LAB BILLABLE TESTS	257,056	252,320	262,120	2%	-2%
BLOOD BANK UNITS MATCHED	396	461	-	-14%	
MRIs COMPLETED	2,423	2,385	2,589	2%	-6%
CT SCANS COMPLETED	7,203	6,941	6,641	4%	8%
RADIOLOGY DIAGNOSTIC TESTS	19,170	18,696	18,830	3%	2%
ECHOs COMPLETED	2,327	2,181	2,098	7%	11%
ULTRASOUNDS COMPLETED	4,039	3,758	4,194	7%	-4%
MAMMOGRAPHYS COMPLETED	2,417	1,511	3,331	60%	-27%
NUCLEAR MEDICINE TESTS	501	492	621	2%	-19%
TOTAL DIAGNOSTIC IMAGING TESTS	38,080	35,963	38,304	6%	-1%

Department Statistics

STATISTIC DESCRIPTION	2023	2022 – ANNUALIZED (data through August 2022)			
	YTD BUDGET	YTD ACTUAL	YTD BUDGET	% VARIANCE 2022 ACTUAL TO 2023 BUDGET	% VARIANCE 2022 BUDGET TO 2023 BUDGET
PHARMACY MEDS DISPENSED	234,276	228,704	250,374	2%	-6%
ANTI COAG VISITS	4,828	4,824	4,802	0%	1%
RESPIRATORY THERAPY PROCEDURES	38,367	35,289	38,300	9%	0%
PULMONARY REHAB RVUs	1,530	476	1,486	222%	3%
PHYSICAL THERAPY RVUs	92,239	81,939	97,396	13%	-5%
OCCUPATIONAL THERAPY RVUs	14,850	14,618	12,930	2%	15%
SPEECH THERAPY RVUs	2,738	1,893	3,476	45%	-21%
REHAB/PT/OT/ST RVUs	111,357	98,925	115,288	13%	-3%
ER CENSUS	12,573	12,501	11,909	1%	6%
EXPRESS CLINIC	10,855	11,013	9,000	-1%	21%
SOCO PATIENT VISITS	1,212	1,127	1,612	8%	-25%
PORT LUDLOW PATIENT VISITS	8,304	8,177	8,052	2%	3%
SHERIDAN PATIENT VISITS	32,661	29,220	32,791	12%	0%
DENTAL CLINIC	4,934	4,892	5,066	1%	-3%
WATERSHIP CLINIC PATIENT VISITS	13,512	12,875	13,403	5%	1%
TOWNSEND PATIENT VISITS	6,500	6,173	6,850	5%	-5%
TOTAL RURAL HEALTH CLINIC VISITS	77,978	73,475	76,774	6%	2%

Department Statistics

STATISTIC DESCRIPTION	2023	2022 – ANNUALIZED (data through August 2022)			
	YTD BUDGET	YTD ACTUAL	YTD BUDGET	% VARIANCE	% VARIANCE
				2022 ACTUAL TO 2023 BUDGET	2022 BUDGET TO 2023 BUDGET
CARDIOLOGY CLINIC VISITS	5,999	5,901	5,288	2%	13%
DERMATOLOGY CLINIC VISITS	8,895	8,012	8,824	11%	1%
GEN SURG PATIENT VISITS	3,671	3,408	4,131	8%	-11%
ONCOLOGY VISITS	7,109	6,471	6,966	10%	2%
ORTHO PATIENT VISITS	10,303	9,329	10,099	10%	2%
SLEEP CLINIC VISITS	1,943	1,944	999	0%	94%
UROLOGY VISITS	1,972	1,757	2,238	12%	-12%
WOMENS CLINIC VISITS	3,340	2,954	4,008	13%	-17%
WOUND CLINIC VISITS	2,814	2,670	3,626	5%	-22%
TOTAL SPECIALTY CLINIC VISITS	46,046	42,444	46,179	8%	0%
SLEEP CENTER SLEEP STUDIES	668	618	501	8%	33%
INFUSION CENTER VISITS	10,284	9,692	9,960	6%	3%
SURGERY CENTER ENDOSCOPIES	901	774	987	16%	-9%
HOME HEALTH EPISODES	805	593	612	36%	32%
HOSPICE CENSUS/DAYS	11,371	9,357	12,730	22%	-11%
DIETARY MEALS SERVED	109,311	111,074	56,488	-2%	94%
MAT MGMT TOTAL ORDERS PROCESSED	18,556	18,381	20,938	1%	-11%



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Capital & Projects Budget 2023-2026



Capital Budget

Budget placeholders set, but detail review completed annually Pricing and needs can change significantly, but the roadmap is essential

Request Type	Department	Title of Request	2023	2024	2025	2026	Grand Total
Construction Project	Facilities	AHU 1		\$ 450,000			\$ 450,000
	Facilities	AHU 2	\$ 337,200				\$ 337,200
	Facilities	Replace 95 Building Roofing		\$ 800,000			\$ 800,000
	Project	Hospital Replacement Project	\$ 25,000,000	\$ 50,000,000	\$ 3,000,000		\$ 78,000,000
	Facilities	Upgrade Building Automation		\$ 195,000			\$ 195,000
Construction Project Total			\$ 25,337,200	\$ 51,445,000	\$ 3,000,000		\$ 79,782,200
Equipment (New)	BioMed	Test Equipment	\$ 6,138				\$ 6,138
	Central Supply	Biotenodesis Instrumentation Set	\$ 6,850				\$ 6,850
	Central Supply	Bookwalter Retractor	\$ 12,849				\$ 12,849
	CT Scan	Philips CT		\$ 522,000			\$ 522,000
	Facilities	Generator Tank Fuel Scrubber				\$ 28,000	\$ 28,000
	Oncology	Exam Table	\$ 5,270				\$ 5,270
	Rehab	Cable Crossover Machine	\$ 5,500				\$ 5,500
	Rehab	LiteGate 400D MRF	\$ 30,200				\$ 30,200
	Surgery	Case Cart	\$ 11,497				\$ 11,497
	Ultrasound	Trophon	\$ 25,000				\$ 25,000
	Wound Clinic	MolecuLight	\$ 29,500				\$ 29,500
	Materials	XLT Cargo Van	\$ 35,065				\$ 35,065
Equipment (New) Total			\$ 167,869	\$ 522,000		\$ 28,000	\$ 717,869

Capital Budget

Budget placeholders set, but detail review completed annually Pricing and needs can change significantly, but the roadmap is essential

Request Type	Department	Title of Request	2023	2024	2025	2026	Grand Total
Equipment (Routine Replacement)	Central Supply	Decontamination Sink/Bay	\$ 20,426				\$ 20,426
	Central Supply	System 8, Large Bone Power Tools	\$ 88,375				\$ 88,375
	ECHO	Echo Stretcher	\$ 8,500				\$ 8,500
	Facilities	Box Truck with liftgate	\$ 70,000				\$ 70,000
	Facilities	Truck for snowplow	\$ 52,000				\$ 52,000
	FBC	EFM and TOCO Replacement	\$ 20,453				\$ 20,453
	Lab	Chemistry Analyzers	\$ 900,000				\$ 900,000
	MRI	MRI			\$ 1,170,000		\$ 1,170,000
	MRI	MRI-Sola			\$ 1,360,000		\$ 1,360,000
	Pre/Post OP	Prep/Post Ice Machine	\$ 10,523				\$ 10,523
	Radiology	Philips C-Arm	\$ 239,000				\$ 239,000
	Radiology	ProxiDiagnost	\$ 583,000				\$ 583,000
	Respiratory Therapy	H Pylori Testing Instrument	\$ 6,125				\$ 6,125
	Surgery	Olympus Ureteroscope	\$ 10,720				\$ 10,720
Equipment (Routine Replacement) Total			\$ 2,009,121		\$ 2,530,000		\$ 4,539,121
Software	Communications	Vocera Upgrade	\$ 15,045				\$ 15,045
	Dietary	CBORD POS System	\$ 200,000				\$ 200,000
	ECHO	Autostrain	\$ 6,675				\$ 6,675
	Nuc Med	NMIS Software	\$ 10,800				\$ 10,800
Software Total			\$ 232,520				\$ 232,520
Technology	IT	Cisco Switch Upgrades	\$ 120,000				\$ 120,000
	IT	MDF UPS 7 Year Battery Replacement	\$ 25,000				\$ 25,000
	IT	SAN and Server for VMWare Upgrade	\$ 350,000				\$ 350,000
	IT	Tableau Server Upgrade	\$ 20,000				\$ 20,000
	Respiratory Therapy	PFT System	\$ 148,650				\$ 148,650
Technology Total			\$ 663,650				\$ 663,650
Grand Total			\$ 28,410,359	\$ 51,967,000	\$ 5,530,000	\$ 28,000	\$ 85,935,359



2023 Operations & Capital Budget Hearing



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Jefferson Healthcare

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