



EXCEPTIONAL CARE. COMMUNITY FOCUSED.

Copley Hospital FY 2018 Financial Performance



Presented by:

*Arthur Mathisen, Chief Executive Officer
Debralee Dorain, Chief Financial Officer*

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Agenda

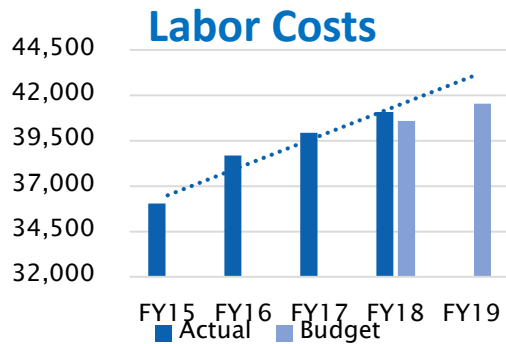
- ▶ Drivers of 2.6% NPR shortage in FY18
 - Lower than expected utilization
- ▶ Drivers of \$2.2M Operating Loss in FY18
 - NPR shortage of \$1.8M
 - Cost pressures related to recruitment & retention and supply chain
- ▶ Actions taken to meet FY19 budget
 - Cost control measures
 - Surgical utilization review activities heightened
 - Physician recruitment efforts
- ▶ Update on FY19 financial performance
 - Continued challenges with utilization, medical leave of surgeon
 - Unfavorable payer mix shift and increased bad debt/charity
- ▶ Position on possible NPR rebase

Drivers of 2.6% NPR Shortage

- ▶ **Surgical Utilization under budget by 3.7%**
 - Unexpected retirement of pediatric dental surgeon
 - Slower than expected ramp up of two new surgeons (general surgeon and orthopedic surgeon)
 - Medical condition of an orthopedic surgeon requiring a reduction in surgical time
- ▶ **Inpatient Admissions under budget by 4.7%**
 - Decrease in surgical admission by 1.8%
 - Average Length of Stay of 2.6 days, from 2.9 days budgeted
- ▶ **Emergency Room Visits under budget by 4.4%**
 - Partially attributable to social work efforts
- ▶ **Sleep Study closed in January 2018 due to shortage of providers to support the specialty**

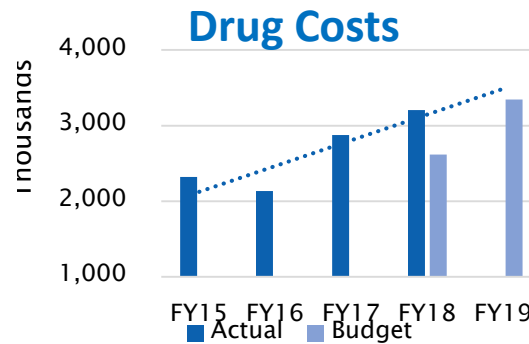
Drivers of \$2.2M Operating Loss

- ▶ NPR budget variance of \$1.8M
- ▶ Operating Expenses over budget by \$390k (0.6%)



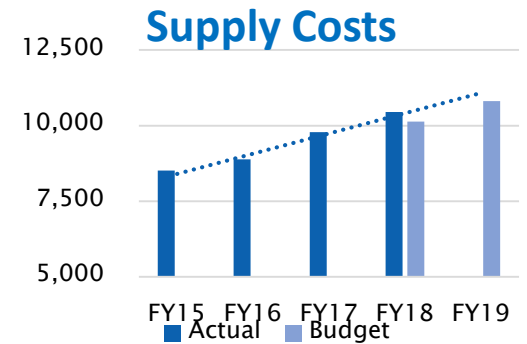
\$480k, 1.2% Over Budget

- ▶ Need for Travelers
- ▶ Market adjustments for retention or turnover
- ▶ Investments in growing workforce from within



\$590k, 22.6% Over Budget

- ▶ Net of \$170k in 340(b) savings
- ▶ Increased oncology utilization
- ▶ Drug shortages
- ▶ Double digit inflation



\$317k, 3.1% Over Budget

- ▶ Demand for Orthopedic implants
- ▶ Custom implant utilization

Actions to Meet FY19 Budget

- ▶ Extra cost control measures implemented
 - Additional approvals for purchases and overtime
 - Hiring Action Committee established
 - Freeze on capital purchases, education, and travel
 - Exceptions reviewed by Senior Leadership to ensure continued delivery of high quality care
- ▶ Surgical Utilization Review activities heightened
 - OR Block Schedule changed in January to optimize efficiency
 - Cross-trained trauma surgeon to total joints
 - Added non-surgical provider support in practice to address access
 - Weekly review of surgical and physician practice utilization
- ▶ Physician Recruitment to re-open Sleep Study
- ▶ Considering need to request mid-year rate change

Update on FY19 Financial Performance

- ▶ NPR under budget by 4.9% YTD, up 1.8% from prior YTD, forecasted at 2.8% below budget by end of FY19
 - Extended medical leave of orthopedic surgeon, back during FY20
 - Unfavorable Payer Mix shift of more Medicare, less Commercial
 - Bad debt & charity care are higher than budget YTD
- ▶ Expenses under budget by 1.9% YTD, up 0.4% from prior YTD, forecasted at 0.4% below budget for FY19
 - Cost control measures continue to be in place
 - Drugs and implant costs continue to be a challenge
 - Unfavorable health insurance claims experience
 - Non-provider contracted labor has improved
- ▶ Projecting Operating Loss of \$1.4M, -2.1%, for FY19
 - 4th year in a row generating operating loss

Position on Possible NPR Rebase

- ▶ FY19 NPR budget was a realistic and attainable base
 - Unique circumstances specific to physician retention/leave are preventing us from achieving the budgeted NPR this year – these are not permanent changes
- ▶ Need Operating Margin to secure financial health
 - Rebase would compromise our ability to generate a margin next year
- ▶ Historical compliance with NPR budget over 3 Years

Year	Rate Change	Budget	Actual	Variance	% Variance
FY16	-4.0%	\$60,987,719	\$62,804,324	\$1,816,605	3.0%
FY17	-3.7%	\$64,819,405	\$64,983,966	\$164,561	0.3%
FY18	-3.4%	\$68,024,531	\$66,226,448	(\$1,798,083)	-2.6%
3Y Total	-11.1%	\$193,831,655	\$194,014,738	\$183,083	0.1%

- ▶ Copley does not recommend an NPR Rebase





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Questions?