



Springfield Hospital

SPRINGFIELD MEDICAL CARE SYSTEMS

*Where People Come First*

# SPRINGFIELD HOSPITAL

2018 & 2019 BUDGET VARIANCES &  
MODIFICATION REQUEST

APRIL 24, 2019

# INTRODUCTIONS

Mike Halstead ..... Interim CEO  
Wayne Scholz ..... Interim CFO  
Quorum Health Resources

# INCOME STATEMENT

(000 omitted)

Without Increase

With Increase

	2016 AUDITED	2017 AUDITED	2018 AUDITED	2019 BUDGET	2019 PROJECTED	2019 PROJECTED
Net Patient Revenue	\$53,638	\$51,967	\$52,979	\$59,997	\$54,057	\$54,546
Operating Revenue	\$55,351	\$53,666	\$54,864	\$61,452	\$55,240	\$55,729
Operating Expenses	\$55,189	\$57,565	\$61,860	\$60,642	\$61,263	\$61,263
Net Operating Income	\$162	(\$3,899)	(\$6,996)	\$810	(\$6,023)	(\$5,534)
Non-Operating Income	\$1,200	\$1,785	\$1,076	\$860	(\$908)	(\$908)
Net Gain (Loss)	\$1,364	(\$2,114)	(\$5,920)	\$1,670	(\$6,931)	(\$6,442)

- **Prior projections of revenue and expenses for the 2018 and 2019 budget were significantly overly optimistic**
- **This was particularly true for revenue**

## **Examples**

### **1. Acute Admissions: was**

- **2019 budget was 128% greater than 2017 A**
- **2019 YTD February was 35% less than 2019 B**
- **2019 Projected at 33% less than 2018 A**

### **2. Emergency Room Visits:**

- **6% less budget**
- **8% less LFY**

### **3. Operating Room Cases:**

- **29% less than budget**
- **8% LFY**

- **For the last 3 years expenses have increased 11%**
- **Revenues have increased only .7%**
- **This has led to significant operating losses**
  - **Actual 2016:** \$163K
  - **Actual 2017:** **\$(3,899K)**
  - **Actual 2018:** **\$(6,996K)**
  - **Projected (w/o increase) 2019:** **\$(6,023K)**

- **Financial Audit and a Forensic Audit was Conducted by Berry Dunn**
- **Forensic Audit Indicated**
  - **No misappropriation of funds but a greater need for:**
    - **Transparency**
    - **Monitoring of financial policies**

# MAJOR DRIVERS OF EXPENSES OVER LAST 3 YEARS

	<u>Dollars</u>	<u>Percentage Increase</u>
▶ 1. Health Insurance	\$3.5 million	70
▶ 2. Purchased Services	\$3.7 million	30
▶ 3. Physician Fees	\$2.4 million	20

# FUNDS TRANSFERRED (NET)

## Springfield Hospital to SMCS

▶ <b>FY2016</b>	<b>\$408,572</b>
▶ <b>FY2017</b>	<b>\$95,180</b>
▶ <b>FY2018</b>	<b>\$510,000</b>
▶ <b>FY2019 through 3/31</b>	<b>\$1,611,915</b>
▶ <b>FY2019 through 9/30</b>	<b>\$0</b>



# STEPS TAKEN TO IMPROVE SITUATION

1. Former CEO And CFO Change
2. Quorum Health Resources Assumes Leadership  
January 2019
3. State Provided \$1 Million in February to Insure  
Payroll

# Expense Reductions Plan Developed and Implementation Began

## Hospital

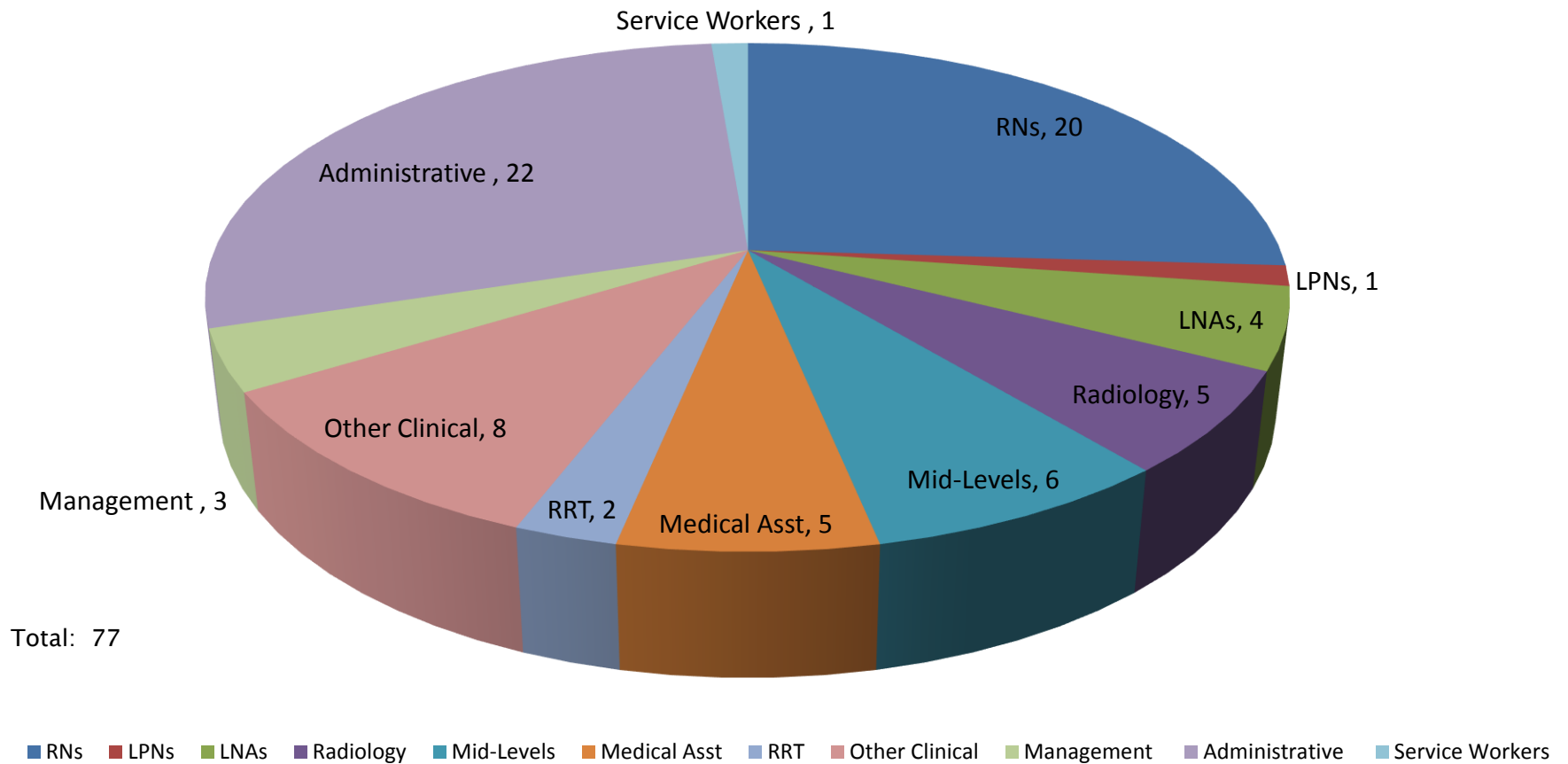
		Annualized	As of 9/30/19
1	Reduction in force	\$1,726,567	\$1,007,164
2	Turnover	\$442,567	\$221,283
3	Employee benefit reduction	\$78,859	\$39,000
4	Restructured PTO accrual limits	\$134,500	\$67,300
5	Changed ED provider contractor	\$948,000	\$474,000
6	Discontinued child birth unit	\$695,000	\$224,000
7	Revamped Hospitalist staffing	\$270,000	\$135,000
8	Revamped surgical services	\$225,000	\$75,000
9	Eliminate 401(k) match	\$255,550	0
	<b>TOTAL</b>	<b>\$4,776,043</b>	<b>\$2,242,747</b>

# Expense Reductions Plan Developed and Implementation Began

## SMCS

		Annualized	As of 9/30/19
1	Reduction in force	\$1,482,665	\$864,880
2	Turnover	\$466,650	\$233,330
3	Employee benefit reduction	\$28,430	\$16,580
4	Restructured PTO accrual limits	\$115,000	\$67,083
7	Revamped Clinics	\$585,000	\$241,700
9	Eliminate 401(k) match	\$219,450	0
	<b>TOTAL</b>	<b>\$2,897,195</b>	<b>\$1,423,573</b>

# NUMBER OF TERMINATIONS SINCE FEBRUARY 2, 2019



# OTHER STRATEGIC ACTIVITIES

- Negotiations with Bank
- Negotiations with Vendors
  - Accounts Payable is \$7.4 million or 82 days (\$87k/day)
- Legal Options
- Relationship with Dartmouth Hitchcock or Other Health System

# REQUEST

- ▶ **Approval to increase our hospital charges 5%, which will yield \$488,924 for FYE 9/30/19**
- ▶ **Rebasing may be necessary for start of FY 2020.**

# QUESTIONS?

