

Northwestern Medical Center

2019 Budget Questions based on Staff Analysis

1. Have the hospital's projections for FY2018 changed?

There are no substantial changes from the original FY2018 projection to report.

2. Please provide more detail on the factors influencing the increase in Cost per Adjusted Admission.

The budgeted cost per admission for FY2019 is in line with the 2018 projected cost per adjusted admission and is 7.6% higher than the amount budgeted in FY2018.

There are three primary factors in calculating the Cost per Adjusted Admission:

- a. Admissions
- b. Adjustment Factor (Total Gross Revenue / Inpatient Gross Revenue)
- c. Total Cost

Our calculations show that changes in the first two factors account for an increase of 6.8% while an increase in total costs accounts for an increase of only 0.9%.

Outpatient gross revenue in FY2018 is running below budget and admissions are also slightly behind budget while inpatient gross charges are on budget. This results in fewer adjusted admissions which, in turn, results in a higher cost per adjusted admission given that costs are at or near budget.

3. Please provide more detail regarding the factors influencing FY2019 Budget increases in utilization for All Operating Room Procedures and Tests.

The number of cases budgeted for FY2019 is within the historic range. Most annual fluctuations are a result of physician vacancies or new hires. The increase when comparing the FY2018 and FY2019 budget is due to the hiring of an ENT physician. This is a specialty that has been absent from our community for the past few years as discussed in the budget narrative.

4. Please provide detail on the 16.44 positions that are being reduced as part of the cost savings plan.

A critical part of NMC's weekly FTE management efforts is position vacancy review and productivity management. NMC utilizes Quorum Health Resources Vantage Productivity Management Tool to track each departments productivity against the top decile of the over 400 hospitals in there database. YTD through June 2018 the organization is running at 91% of the top 10 percentile of the hospitals in the database. Through the budgeting process NMC has identified reduction of over 16 FTE's through improved adherence to benchmark standards. Key areas include:

Medical Surgical Nursing Unit

Patient Financial Services
Patient Access
Health Information Management
Lifestyle Medicine

5. Please explain factors in the changes in Bad Debt and Free Care in the FY2019 Budget (including policy changes if any).

There have been no changes in Free Care or Bad Debt policies. The table below shows the write off rates by year excluding physician practices. Physician practices differ from each other but generally have lower bad debt and free care write-off rates than hospital revenue. As total gross revenue from physician practices has grown as a share of total gross revenue, the impact is a decrease in the overall write-off rates for the organization so it is most useful to view the rates for hospital revenue only, as shown below.

Fiscal Year	Bad Debt %	Free Care %	Total %
FY2012	2.42%	1.30%	3.72%
FY2013	2.64%	1.07%	3.71%
FY2014	3.15%	0.66%	3.81%
FY2015	2.27%	0.67%	2.94%
FY2016	1.48%	0.77%	2.25%
FY2017	2.50%	0.60%	3.10%
FY2018 YTD	4.26%	0.58%	4.84%
FY2019 Requested	3.00%	0.60%	3.60%

The submitted budget narrative discusses the issues that have caused write offs in FY2018 to be higher than expected but we expect FY2019 write-offs to return to typical levels.

6. Please complete the table that has been provided to clarify accounting of ACO-related revenue and expenses.
[See attached table.](#)
7. Please provide more specificity about what is included in Other Operating Expense for FY2017 Actuals, FY2018 Budget and Projections, and FY2019 Budget, and explain the variation from year to year.

This line includes Supplies, Non-physician Contracted Services, Utilities, Travel and Education, Repairs and Maintenance, Rental Cost and Insurance. The most significant portions are Supplies and Contracted Services. This line is increasing only 1.3% from budget FY2018 to budget FY2019 which is below the rate of inflation applied to many components of the line. While some components increased beyond inflation, we have focused containing or reducing portions that can be considered discretionary.