Springfield Hospital
SPRINGFIELD MEDICAL CARE SYSTEMS
Where People Come First

SPRINGFIELD HOSPITAL

2018 & 2019 BUDGET VARIANCES & MODIFICATION REQUEST

APRIL 24, 2019

FINAL 4/19/2019

INTRODUCTIONS

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

INCOME STATEMENT

(000 omitted)

	2016 AUDITED	2017 AUDITED	2018 AUDITED	2019 BUDGET	2019 PROJECTED Without Increase	2019 PROJECTED With Increase
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: were**
   - **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

	Dollars	Percentage Increase
1. Employee Benefits ◦ Health Insurance	$2.5 million	69
2. Purchased Services	$2.5 million	27
3. Physician Fees	$ .7 million	14

FUNDS TRANSFERRED (NET)

Springfield Hospital to SMCS

CASH TRANSFERRED	
FY2016	$408,572
FY2017	$95,180
FY2018	$510,000
FY2019 thru 3/31	$1,611,915
FY2019 thru 9/30	$0

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

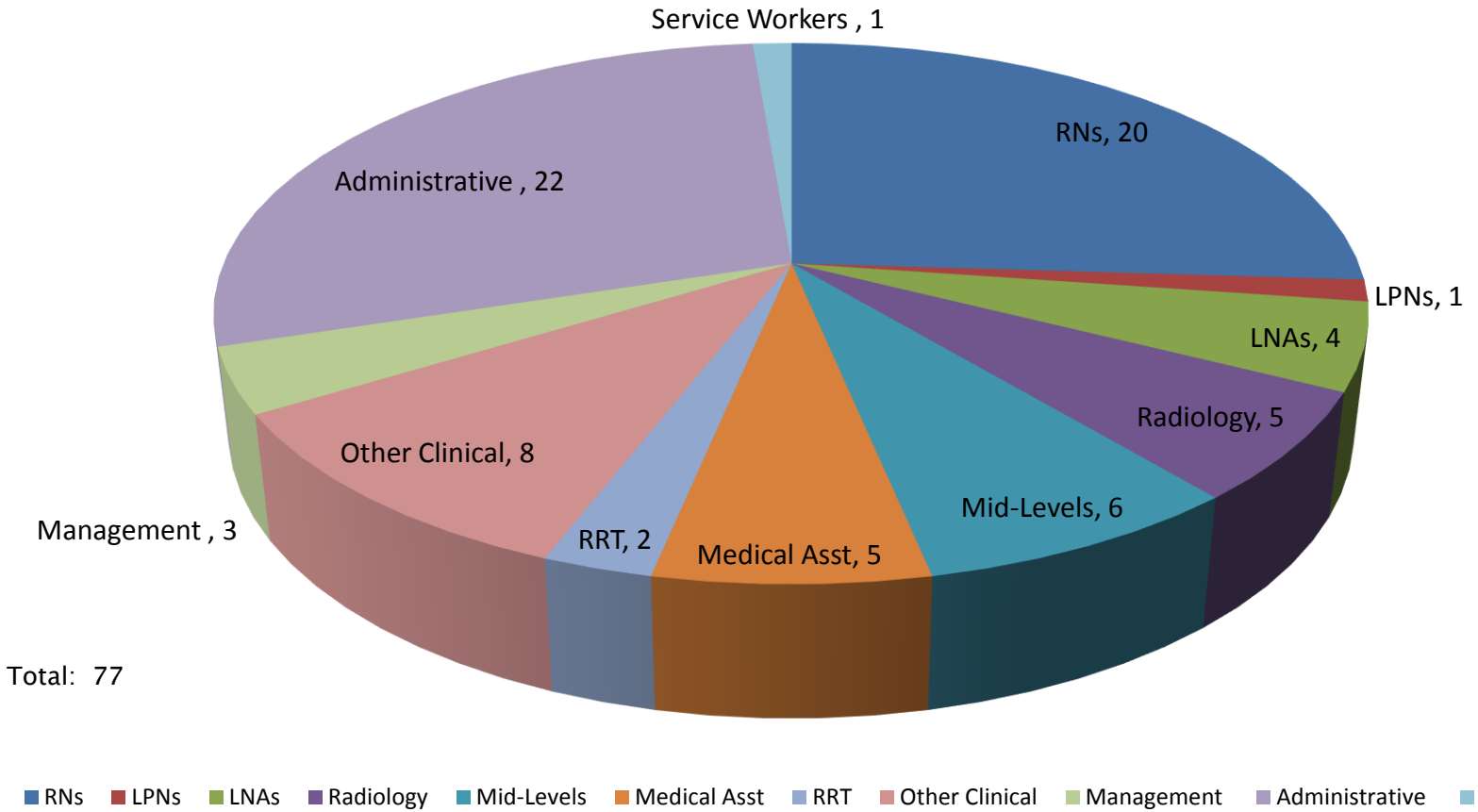
		Annualized	As of 9/30/19
1	Reduction in force	$1,726,567	$1,007,164
2	Turnover	$442,567	$221,283
3	Employee benefit reduction	$78,859	$39,000
4	Restructured PTO accrual limits	$134,500	$67,300
5	Changed ED provider contractor	$948,000	$474,000
6	Discontinued child birth unit	$695,000	$224,000
7	Revamped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

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
	TOTAL	**$2,897,195**	**$1,423,573**

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?