



DeSoto Memorial Hospital

*2019 Budget
and 4 Year
Projection*

Desoto Memorial Hospital FY19
Budget and 4 Year Projections

FOR BUDGET 2018 Revised
January 2018

	Actual FY 2017	Budget FY 2018	Projection FY 2018	Proposed Budget FY 2019	Projection FY 2020	Projection FY 2021	Projection FY 2022	Projection FY 2023	FY19 Assumptions
REVENUE									
Inpatient Hospital Revenues	\$29,821,577	\$31,727,310	\$28,088,946	\$28,380,504	\$29,231,919	\$30,108,877	\$31,012,143	\$31,942,507	3% Volume, 1% Rate Increase. (OB Delivery Services Ceased Feb 2018 \$800,000 FY18 reduction)
Outpatient Hospital Revenues	\$78,905,524	\$85,217,966	\$84,143,506	\$89,992,116	\$95,391,643	\$101,115,142	\$107,182,050	\$113,612,973	3% volume, 3% Rate Increase . CT down \$800,000 GPR in August 2018 for Room Renovation.
Physician Fee Revenues	\$2,636,433	\$835,000	\$850,000	\$845,000	\$887,250	\$931,613	\$978,193	\$1,027,103	5% volume increase; ER Physician Services Transferred to Pvt Group January 2017 (\$1.8million reduction). Includes Pain Mgt, General Surgery, Stress Test, Pediatric Call Physicians.
Clinic/DCSO Revenues	\$350,004	\$360,504	\$374,499	\$385,734	\$397,306	\$409,225	\$421,502	\$434,147	3% Rate Increase-Provided at just above cost to DeSoto County
Other Outpatient Service Revenue	\$6,351,931	\$6,796,566	\$8,283,503	\$13,863,348	\$14,556,516	\$15,284,341	\$16,048,558	\$16,850,986	4% Volume, 3% Rate Increase Wound Care new services \$5million GPR
Outpatient, Physician, and Clinic Total Gross Revenue	\$88,243,892	\$93,210,036	\$93,651,508	\$105,086,199	\$111,232,715	\$117,740,321	\$124,630,304	\$131,925,210	OB services terminated Feb 2018
Year to Year Growth	16.8%	5.8%	3.1%	9.6%	5.2%	5.3%	5.3%	5.3%	
Year to Year Growth after price increase	4.8%	2.8%	0.1%	6.6%	2.2%	2.3%	2.3%	2.3%	
DEDUCTIONS FROM REVENUE									
Medicare & Medicaid Contractual Adj	\$62,476,202	\$67,457,100	\$62,247,382	\$71,314,579	\$75,429,017	\$79,791,474	\$84,417,333	\$90,922,947	2.0% MCR reimb increase; January 2018 Lab Medicare decrease; Medicaid IP 20% reimb decrease; 2% sequestration started 4/1/2013 continues with annual impact of \$300,000; LIP similar to FY 17 of \$2million. FY18 contains one time events:\$650,000 BCBS settlement; \$1,350,000 Medicaid prior year settlement.
Other Contractual Adjustments	\$9,474,901	\$10,126,641	\$10,662,749	\$11,806,701	\$12,425,751	\$13,079,002	\$13,768,407	\$14,496,029	3% reimb increase Commercial Insurance.
Discounts & Adjustments	\$418,501	\$442,859	\$985,095	\$1,090,781	\$1,147,973	\$1,208,324	\$1,272,016	\$1,339,239	Self pay, employee, and co-insurance pymt at registration' discounts.
Provision for Uncollectible Accts	\$6,126,704	\$6,483,302	\$5,814,819	\$6,374,912	\$6,709,162	\$7,061,879	\$7,434,116	\$7,826,988	
Indigent Care (Charity)	\$7,494,555	\$8,030,768	\$7,822,237	\$8,675,688	\$9,130,572	\$9,610,588	\$10,117,170	\$10,651,834	Increased 5% for unknown Federal Changes to Market Place Plans
Discounts, Bad Debt, and Charity	\$14,039,760	\$14,956,930	\$14,622,151	\$16,141,381	\$16,987,707	\$17,880,792	\$18,823,302	\$19,818,061	
Discounts, Bad Debt, and Charity % of Gross Revenue	11.9%	12.0%	12.0%	12.1%	12.1%	12.1%	12.1%	12.1%	
Year to Year Growth	13.6%	6.5%	4.1%	10.4%	5.2%	5.3%	5.3%	5.3%	
Contractual % of Gross Revenue	60.9%	62.1%	59.9%	62.3%	62.5%	62.8%	63.1%	64.3%	
Contractuals Year to Year Growth	21.1%	7.8%	1.3%	14.0%	5.7%	5.7%	5.7%	7.4%	
Total Deductions From Revenue	\$85,990,863	\$92,540,671	\$87,532,282	\$99,262,662	\$104,842,474	\$110,751,268	\$117,009,042	\$125,237,037	FY18 includes \$2,000,000 one time positive adjustments = 1.7% C/A decrease in percentage of gross.
Percent of Gross Revenue	72.8%	74.1%	71.9%	74.4%	74.6%	74.9%	75.2%	76.4%	
Year to Year Growth	7.8%	7.6%	1.8%	13.4%	5.6%	5.6%	5.7%	7.0%	
NET PATIENT REVENUE	\$32,074,606	\$32,396,675	\$34,208,172	\$34,204,041	\$35,622,160	\$37,097,930	\$38,633,404	\$38,630,680	
Year to Year Growth	9.3%	1.0%	6.7%	0.0%	4.1%	4.1%	4.1%	0.0%	
Net to Gross	27.2%	25.9%	28.1%	25.6%	25.4%	25.1%	24.8%	23.6%	No major shift in reimbursement rates
OTHER OPERATING REVENUE									
Other Oper Revenue	\$76,743	\$50,000	\$36,047	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	MedRecs, Scrap, Misc

Desoto Memorial Hospital FY19
Budget and 4 Year Projections

FOR BUDGET 2018 Revised
January 2018

	Actual FY 2017	Budget FY 2018	Projection FY 2018	Proposed Budget FY 2019	Projection FY 2020	Projection FY 2021	Projection FY 2022	Projection FY 2023	FY19 Assumptions
Total Other Revenue	\$76,743	\$50,000	\$36,047	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	
Year to Year Growth	11.0%	-34.8%	-53.0%	38.7%	0.0%	0.0%	0.0%	0.0%	
Total Operating Revenue	\$32,151,349	\$32,446,675	\$34,244,219	\$34,254,041	\$35,672,160	\$37,147,930	\$38,683,404	\$38,680,680	
Year to Year Growth	9.3%	0.9%	6.5%	0.0%	4.1%	4.1%	4.1%	0.0%	

Desoto Memorial Hospital FY19
Budget and 4 Year Projections

FOR BUDGET 2018 Revised
January 2018

	Actual FY 2017	Budget FY 2018	Projection FY 2018	Proposed Budget FY 2019	Projection FY 2020	Projection FY 2021	Projection FY 2022	Projection FY 2023	FY19 Assumptions
Other Non-Oper Income (Exp)	\$25,690	\$25,000	\$8,317	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	
Total Non-Oper. Income (Exp) Year to Year Growth	\$1,578,737 -18.5%	\$1,703,713 7.9%	\$1,629,025 3.2%	\$1,679,215 3.1%	\$1,712,140 2.0%	\$1,746,022 2.0%	\$1,780,913 2.0%	\$1,816,864 2.0%	
NET INCOME/(LOSS)	\$299,324	\$211,774	\$2,025,981	\$423,201	\$433,450	\$386,689	\$396,027	(\$1,207,692)	FY18 contains one time events with \$2million positive impact.
Net Income %	0.9%	0.7%	5.9%	1.2%	1.2%	1.0%	1.0%	-3.1%	

**FY20 and Future
Assumptions**

2% Volume, 1% Rate Increase

2% volume, 4% Rate Increase

2% Volume, 3% Rate Increase

3% Rate Increase

2% Volume, 3% Rate Increase

LIP may returnsto \$400,000 historical levels
in FY23

No major changes

Assume BD/CC remains constant %

LIP may returnsto \$400,000 historical levels
in FY23

No major shift in reimbursement rates

MedRecs, Scrap, Misc

FY20 and Future

Assumptions

FY20 and Future

Assumptions

2% Increase Market Equity

Reduce reliance on contract labor 5%

Does not include housekeeping, dietary,
and behavioral outsource. See Fees Other.

5% regulatory and aging workforce

2% market increase; 3% volume

2% market; 5% volume

Market inflation 6%

6% increase

5% aging of plant and inflation

3% increase

2% market factors P&C

3% inflation

3% inflation

Assume AHCA FY18 Allocation through
FY22

Capital additions at \$1 million per year
beginning FY20

No major change in rates

Sales Tax growth 2%
Clinic Building

FY20 and Future

Assumptions

**Desoto Memorial Hospital FY19 Budget
STATEMENT OF REVENUE AND EXPENSES
FOR BUDGET 2019**

	Actual	Projected	Proposed Budget	
	FY 2017	FY 2018	FY 2019	Assumptions
REVENUE				
Inpatient Hospital Revenues	\$29,821,577	\$28,088,946	\$28,380,504	3% Volume, 1% Rate Increase. (OB Delivery Services Ceased Feb 2018 \$800,000 FY18 reduction)
Outpatient Hospital Revenues	\$78,905,524	\$84,143,506	\$89,992,116	3% volume, 3% Rate Increase . CT down \$800,000 GPR in August 2018 for Room Renovation.
Physician Fee Revenues	\$2,636,433	\$850,000	\$845,000	5% volume increase; ER Physician Services Transferred to Pvt Group Januar
Clinic Revenues	\$350,004	\$374,499	\$385,734	3% Rate Increase-Provided at just above cost to DeSoto County
Other Outpatient Service Revenue	\$6,351,931	\$8,283,503	\$13,863,348	4% Volume, 3% Rate Increase Wound Care new services \$5million GPR
Total Gross Revenue	\$118,065,469	\$121,740,454	\$133,466,702	OB services terminated Feb 2018
DEDUCTIONS FROM REVENUE				
Medicare & Medicaid Contractual	\$62,476,202	\$62,247,382	\$71,314,579	decrease; Medicaid IP 20% reimb decrease; 2% sequestration started 4/1/2013 continues with annual impact of \$300,000; LIP similar to FY 17 of \$2million. FY18 contains one time events:\$650,000 BCBS settlement; \$1,350,000 Medicaid prior year settlement.
Discounts & Adjustments	\$418,501	\$985,095	\$1,090,781	Self pay, employee, and co-insurance 'pymt at registration' discounts.
Other Contractual Adjustments	\$9,474,901	\$10,662,749	\$11,806,701	3% reimb increase Commercial Insurance.
Indigent Care (Charity)	\$7,494,555	\$7,822,237	\$8,675,688	
Provision for Uncollectible Accounts	\$6,126,704	\$5,814,819	\$6,374,912	
Total Deductions From Rev	\$85,990,863	\$87,532,282	\$99,262,662	
NET PATIENT REVENUE	\$32,074,606	\$34,208,172	\$34,204,041	
OTHER OPERATING REVENUE				
Other Operating Revenue	\$76,743	\$36,047	\$50,000	MedRecs, Scrap, Misc
Total Other Revenue	\$76,743	\$36,047	\$50,000	
NET REVENUE	\$32,151,349	\$34,244,219	\$34,254,041	

**Desoto Memorial Hospital FY19 Budget
STATEMENT OF REVENUE AND EXPENSES
FOR BUDGET 2019**

	Actual	Projected	Proposed Budget	
	FY 2017	FY 2018	FY 2019	Assumptions
EXPENSES				
Salaries & Wages	\$13,548,180	\$13,058,329	\$12,363,439	3% Increase Market Equity
Contract Labor	\$1,111,394	\$991,306	\$919,206	Reduce reliance on contract labor 5%
Benefits	\$3,463,612	\$3,119,693	\$3,249,049	10% increase in benefit costs, primarily health care coverage impact of ACA and aging of employee population.
Fees - Physician	\$2,085,938	\$2,178,782	\$2,220,521	5% increase
Fees - Other	\$3,490,844	\$4,292,428	\$5,444,549	2% market; 3% volume. Wound Care \$950,000 Mgt Fee
Supplies	\$3,928,478	\$4,400,771	\$5,016,879	Market inflation 3%; Ortho 9% Rx 5%
Utilities	\$755,391	\$831,356	\$914,492	10% FY18: 6% thereafter
Repairs and Maintenance	\$1,215,212	\$1,014,151	\$1,064,859	5% aging of plant and inflation
Rents and Leases	\$626,543	\$656,552	\$689,380	5% increase
Insurance	\$268,685	\$314,066	\$320,347	2% market factors Prop&Casualty
Other Expenses	\$511,003	\$537,737	\$553,869	3% inflation
Physician Recruitment	\$16,404	\$8,034	\$5,000	
Marketing & Public Relations	\$90,265	\$89,774	\$92,467	3% inflation
Total Expenses	\$31,111,949	\$31,492,979	\$32,854,057	
EBITDA	\$1,039,400	\$2,751,240	\$1,399,984	
CAPITAL EXPENSES				
Interest Expense	\$728,350	\$735,342	\$751,342	GE Loan \$600,000 @ 6%
Depreciation & Amortization	\$1,590,463	\$1,618,942	\$1,904,656	Capital additions at \$2million FY18 Radiology and Surgery; 7 year depreciation per Medicare guidelines
Total Capital Expenses	\$2,318,813	\$2,354,284	\$2,655,998	
OPERATING INCOME/(LOSS)	(\$1,279,413)	\$396,956	(\$1,256,014)	
OTHER INCOME:				
Investment Income	\$30,605	\$32,595	\$37,500	No major change in rates
Gifts & Grants Income	\$1,343,061	\$1,430,113	\$1,458,715	County sales tax restricted to debt service coverage.
Federal Award Grants	\$71,381	\$50,000	\$50,000	\$50,000 Pari-mutual
Rental Income	\$108,000	\$108,000	\$108,000	Clinic Building Rental to FQHC
Other Non-Oper Income(Exp)	\$25,690	\$8,317	\$25,000	
Total Non-Oper. Income(Ex)	\$1,578,737	\$1,629,025	\$1,679,215	
NET INCOME/ (LOSS)	\$299,324	\$2,025,981	\$423,201	

Desoto Memorial Hospital FY18 and FY19 Volume Project

Compared to

	FY 17 Actual	FY 18 Budget	FY 18 Projected	FY 19 Budget	FY18 Projected	
PATIENT DAYS:	3,831	4,244	3,047	3,140		3.1%
Acute	2,499	2,874	2,242	2,320		3.5%
ICU / Special Care	768	806	805	820		1.9%
OB	564	564	210	-		
Observation Days	1,273	1,337	1,280	1,350		5.5%
Discharges:	1,483	1,626	1,087	1,120		3.0%
Acute	834	959	808	830		2.7%
ICU / Special Care	366	384	279	290		3.9%
OB (Excluded from FY18 totals for better comparison to Budget)	283	283	100	-		
ALOS	2.58	2.61	2.87	2.80		-2.5%
Births	261	261	98	0		
Adjusted Admissions	5,861	6,154	5,463	5,500		0.7%
Case Mix Index	1.02	1.04	1.13	1.18		4.4%
HHA Visits:	9,238	10,162	9,793	10,000		2.1%
Total Radiology Procedures (All)	24,616	25,847	24,821	26,000		4.8%
CT	6,493	7,142	6,316	6,500		2.9%
Ultrasound	2,738	3,000	2,248	2,300		2.3%
Nuc Med	639	650	732	750		2.5%
MRI	754	980	823	900		9.4%
Mammography	1,103	1,250	1,216	1,300		6.9%
Laboratory Procedures:	139,619	152,422	140,179	147,000		4.9%
Inpatient	23,183	24,342	21,025	22,000		4.6%
Outpatient	116,436	128,080	119,154	125,000		4.9%
Total Surgery (excl endo):	859	961	789	880		17.2%
Inpatient Surgery	329	378	256	280		9.4%
Outpatient Surgery	530	583	533	600		12.6%
Endo	678	700	680	700		2.9%
Total ER Visits:	16,492	17,317	16,817	17,300		2.9%
Inpatient	892	1,026	789	800		1.4%
Outpatient	15,600	16,291	16,028	16,500		2.9%
Other Visits:						
Rehab Services	7,537	8,500	9,174	10,500		14.45%
Wound Care	1,447	1,500	1,257	5,000		297.77%
FTEs	245	240	238	240		0.9%

NOTES:

FY19 budget based on volumes through July 2018, discussion with physicians of their projections, and DMH Strategic Plan. Surgery volume expected to increase in Ortho, Podiatry, and Urology services

Wound Healing Institute at DeSoto Memorial Hospital Scheduled to begin services September/October 2018. Significant increase in Gross Patient Revenue expected (\$5million), net revenue of \$1million, and contribution to overhead margin of \$200,000.