



**Nassau University Medical Center
A. Holly Patterson Extended Care Facility
Family Health Centers**



**NASSAU HEALTH CARE CORPORATION
& SUBSIDIARIES**

**Adjusted-April
OPERATING BUDGET**

FISCAL YEAR ENDED DECEMBER 31, 2019

Nassau Health Care Corporation and Subsidiaries
Operating Budget-Adjusted April
For Twelve Months Ending December 31, 2019

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EXECUTIVE SUMMARY

2019 will be a challenging year for Nassau Health Care Corporation with patient service revenue generally remaining at the 2018 level, other operating revenue declining and expenses increasing for inflation.

Reimbursement by Medicare and Medicaid over the last decade has remained constant with little to no increase for inflation, despite health care inflationary increases in expense. Additionally, most other payors use the Medicare/Medicaid rates as a basis for payment and reimbursement. Governor Cuomo announced a 2% increase in Medicaid rates effective in 2019 which will be an add-on to Medicaid rates, not an inflation trend factor. Besides patient service revenue, Intergovernmental Transfer (IGT) revenue will increase because of additional amounts to be received by A Holly Patterson. Other Federal and State Aid is budgeted to decrease as a result of the two most significant programs winding down-Value Based Payment Quality Improvement Program-VBP-QIP and Care Restructuring Enhancement Pilots Program –CREP and DSRIP revenue is decreasing by \$10.5 million.

The 2019 budget reflects expense increases over projected 2018 which includes a 9.2% increase in health benefits of \$7.3 million, a 9% increase in pharmaceutical costs of \$1.6 million, increases in medical and other supplies of \$1.2 million and increases in medical services contracts with physicians of \$1.6 million.

At the A. Holly Patterson Extended Care Facility, resident days declined 11,220 days, or nearly 8%,

in 2018 from the 2017 level. 2019 has been budgeted at the 2018 volume of resident days.

The original 2019 operating budget reflected a loss of \$43.9 million before non-cash expenses related to Other Post Retirement Benefit (OPEB) and NYS Actuarial Pension (GASB 68) expenses.

As a result of adjustments to the Foundation, operational changes, State aid, and prior year IGT the operating results are now budgeted at a \$25.2 million loss (See below).

Management will be continually monitoring the assumptions contained in the budget to ensure the success of various initiatives, and reviewing areas of possible expense reduction and revenue enhancement throughout the year. To assure fiscal responsibility and accountability on behalf of NHCC, all expenditures and staffing requirements presented in this budget will be subject to continuous review and evaluation as needs dictate.

Adjusted Budget

	(millions)
Original Budgeted Operating Results, before OPEB and GASB 68	(\$43.9)
Adjustments:	
Foundation and PEO	9.3
Operational Changes	6.0
Additional State Aid	6.0
DSRIP	2.5
Prior Year IGT	<u>(5.1)</u>
Total Adjustments	<u>(18.7)</u>
Adjusted Budgeted Operating Results, before OPEB and GASB 68	(\$25.2)

Nassau University Medical Center

Revenue

Net Patient Service Revenue (NPSR) is budgeted at \$329.8 million, which is a \$7.4 million increase from the 2018 projections. The increase is primarily due to the 2% increase in Medicaid rates, since patient volumes are budgeted at the 2018 levels and revenue cycle enhancements.

Revenue Assumptions

The budget assumes that 2019 inpatient volumes - discharges, patient days and length of stay will be relatively unchanged from 2018. The table below outlines historical discharge data:

Year	Discharge Volumes	% Change from Previous Year
2019 Budgeted	19,789	-
2018 Projected	19,789	-2.88%
2017	20,375	-1.23%
2016	20,629	-0.26%
2015	20,683	-0.23%
2014	20,730	-1.67%

Outpatient clinic volumes are budgeted to be at the 2018 level which have decreased from the 2017 level.

Other operating revenues overall are decreasing by \$14.4 million. IGT revenue is decreasing by \$1.3 million. Federal & State Aid is budgeted at \$8.2 million, which is a decline of \$7.4 million from 2018, as the related programs (Value Based Payment Quality Improvement Program-VBP-QIP and Care Restructuring Enhancement Pilots Program –CREP) are ending. DSRIP revenue is also

decreasing by \$10.5 million from the 2018 projected level of \$38.6 million. Miscellaneous and other revenue is increasing by \$4.8 million. Correctional facility operations are budgeted at approximately the 2018 projected levels (The County has issued an RFP for Correctional Services).

Expenses

The budget includes increases to salaries and related fringe benefits, primarily for longevity and step increases, as well as inflation. 2019 salaries, exclusive of correctional facility operations, are projected to be \$223.5 million. Other expenses include price increases for pharmaceutical costs of \$1.1 million and medical and other supply cost of \$1.2 million. Additionally, medical services contract costs are increasing by \$1.6 million.

Depreciation expense is budgeted based upon historical information with consideration given to the current and future capital expenditure requirements and is relatively unchanged.

A Holly Patterson Extended Care Facility

Revenue

Patient Service Revenue is budgeted at \$46.5 million, a decrease of \$1.4 million from the 2018 projected level and reflects the 2018 level of resident day volumes. IGT revenue is budgeted at \$11.9 million, an increase of \$4.9 million from 2018.

Revenue Assumption

In 2018 there was a decline in resident days of approximately 7.8%. Occupancy levels are budgeted at an average daily census (ADC) of 460 for 2019 which approximates the 2018 level.

	Resident Days		
	2017	2018	2019
		Projected	Budget
Geri	166,618	156,086	156,931
HIV	6,270	5,902	5,855
Vent	5,943	5,623	5,463
Total	178,831	167,611	168,249

Expense Assumptions

Salary and Fringe Benefits are budgeted at \$51.4 million, a decrease of \$0.9 million from the 2018 projected amounts which reflects the current roster of employees. Supplies expense reflects an increase for pharmaceutical costs of \$0.5 million. Expenses include \$2.7 million of agency use, an increase of \$0.3 million from projected 2018 levels. Utilities are budgeted at \$1.7 million, an increase \$0.2 million from the 2018 projected level, which reflects the changes to the facility as a result of various infrastructure projects.

Physician Faculty Practice Plan

The operations of the faculty practice plan are budgeted to remain at the level of 2018 operations.

SECTION TWO

OPERATING BUDGET

FISCAL YEAR ENDED DECEMBER 31, 2019

**COMPARATIVE FINANCIAL STATEMENT
PRESENTATION**

Nassau Health Care Corporation and Subsidiaries
Revenue & Expenses
Consolidated-Adjusted April
(In Thousands)

	Audited FYE 12/31/2017	Projected FYE 12/31/2018	Budgeted FYE 1/1/2019
<u>Operating Revenues:</u>			
Net patient service revenue	\$ 397,103	\$ 398,944	\$ 406,286
<u>Other Operating Revenues:</u>			
NYS Intergovernmental transfer	53,634	78,768	82,370
DSRIP	40,462	38,566	28,037
Nassau County Billings	24,406	18,529	19,667
Corrections Contract	5,201	21,477	21,000
Federal & State Aid	41,605	15,576	8,200
Practice Plan Revenue	0	0	0
Miscellaneous	24,117	20,392	23,826
Total Operating Revenues	586,528	592,252	589,386
<u>Operating Expenses:</u>			
Salaries	258,516	268,863	277,768
Fringe Benefits	140,979	136,165	143,442
Supplies	45,433	48,114	49,938
Expenses	95,510	99,060	106,181
Utilities	17,873	18,240	19,308
Depreciation Expense	19,526	17,245	17,932
Total Operating Expenses	577,837	587,687	614,569
<u>Income (loss) before OPEB, GASB 68 & other expenses</u>	\$8,691	4,565	\$ (25,183)
Employee benefits - OPEB	(22,507)	(35,485)	(35,389)
NYS Actuarial Pension Adjustment	(8,804)	2,052	
Loss on Abandoned Project Costs	(5,976)		
Operating loss	(28,596)	(28,868)	(60,572)
<u>Non-Operating Activities</u>			
Interest Income	1,292	148	10
Interest Expense	(14,472)	(11,471)	(11,608)
Total Non-Operating Activities	(13,180)	(11,323)	(11,598)
Change in Net Position	\$ (41,776)	\$ (40,191)	\$ (72,170)

Nassau Health Care Corporation and Subsidiaries

Budgeted Revenue & Expenses-Adjusted April

By Entity

(In Thousands)

	Nassau University Medical Center Budget 2019	A. Holly Patterson Extended Care Fac. Budget 2019	Physician Faculty Practice Plan Budget 2019	Nassau Health Care Corp, LTD. Budget 2019	Total Budget 2019
Operating Revenues:					
Net patient service revenue	\$ 329,813	\$ 46,473	\$ 30,000	\$ -	\$ 406,286
Other Operating Revenues:					
NYS Intergovernmental transfer	70,500	11,870	-	-	82,370
DSRIP	28,037	-	-	-	28,037
Nassau County Billings	19,667	-	-	-	19,667
Corrections Contract	21,000	-	-	-	21,000
Federal & State Aid	8,200	-	-	-	8,200
Practice Plan Revenue	15,000	-	(15,000)	-	-
Miscellaneous	23,174	652	-	10,000	23,826
Total Operating Revenues	515,391	58,995	15,000	10,000	589,386
Operating Expenses:					
Salaries	233,998	30,470	13,300	-	277,768
Fringe Benefits	122,136	20,890	416	-	143,442
Supplies	45,773	4,165	-	-	49,938
Expenses	96,734	8,163	1,284	10,000	106,181
Utilities	17,614	1,694	-	-	19,308
Depreciation Expense	17,015	917	-	-	17,932
Total Operating Expenses	533,270	66,299	15,000	10,000	614,569
Income (loss) before OPEB expenses	(17,879)	(7,304)	-	-	(25,183)
Employee benefits - OPEB	(28,909)	(6,480)	-	-	(35,389)
Operating loss	(46,788)	(13,784)	-	-	(60,572)
Non-Operating Activities					
Interest Income	10	-	-	-	10
Interest Expense	(9,624)	(1,984)	-	-	(11,608)
Total Non-Operating Activities	(9,614)	(1,984)	-	-	(11,598)
Change in Net Position	\$ (56,402)	\$ (15,768)	\$ -	\$ -	\$ (72,170)

Nassau Health Care Corporation and Subsidiaries
Nassau University Medical Center
Revenue & Expenses Adjusted-April
(In Thousands)

	Audited FYE 12/31/2017	Projected FYE 12/31/2018	Budgeted FYE 12/31/2019
<u>Operating Revenues:</u>			
Net patient service revenue	\$ 315,693	\$ 322,403	\$ 329,813
<u>Other Operating Revenues:</u>			
NYS Disproportionate Share	44,366	71,751	70,500
DSRIP	40,462	38,566	28,037
Nassau County Billings	24,406	18,529	19,667
Corrections Contract	5,201	3,008	3,000
Federal & State Aid	41,605	15,576	8,200
Practice Plan Revenue	14,700	14,747	15,000
Miscellaneous	18,760	19,805	23,174
Total Operating Revenues	505,193	504,385	497,391
<u>Operating Expenses:</u>			
Salaries	213,620	213,205	223,548
Fringe Benefits	118,858	112,627	118,295
Supplies	41,612	42,591	45,646
Expenses	86,118	88,952	93,152
Utilities	16,601	16,763	17,614
Depreciation Expense	18,706	16,368	17,015
Total Operating Expenses	495,515	490,506	515,270
<u>Income (loss) before OPEB & GASB 68 expenses</u>	9,678	13,879	(17,879)
Employee benefits - OPEB	(18,697)	(28,987)	(28,909)
NYS Actuarial Pension Adjustment	(7,263)	1,693	
Operating loss	(16,282)	(13,415)	(46,788)
<u>Non-Operating Activities</u>			
Interest Income	102	148	10
Interest Expense	(12,412)	(9,498)	(9,624)
Total Non-Operating Activities	(12,310)	(9,350)	(9,614)
Change in Net Position	\$ (28,592)	\$ (22,765)	\$ (56,402)

Nassau Health Care Corporation and Subsidiaries
Correctional Facility
Revenue & Expenses
(In Thousands)

	Audited FYE 12/31/2017	Projected FYE 12/31/2018	Budgeted FYE 12/31/2019
<u>Operating Revenues:</u>			
Net patient service revenue			
<u>Other Operating Revenues:</u>			
NYS Intergovernmental transfer			
DSRIP			
Nassau County Billings			
Corrections Contract	5,201	18,469	18,000
Federal & State Aid			
Practice Plan Revenue			
Miscellaneous			
	<hr/>		
Total Operating Revenues	5,201	18,469	18,000
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<u>Operating Expenses:</u>			
Salaries	3,014	10,748	10,450
Fringe Benefits	732	3,507	3,841
Supplies	10	1,797	127
Expenses	383	2,417	3,582
Utilities	-	-	-
Depreciation Expense	-	-	-
	<hr/>		
Total Operating Expenses	4,139	18,469	18,000
	<hr/>		
<u>Income (loss) before OPEB & GASB 68 expenses</u>	1,062	-	-
	<hr/>		
Employee benefits - OPEB	-	-	-
	<hr/>		
Operating loss	1,062	-	-
	<hr/>		
<u>Non-Operating Activities</u>			
Interest Income	-	-	-
Interest Expense	-	-	-
	<hr/>		
Total Non-Operating Activities	-	-	-
	<hr/>		
Change in Net Position	\$ 1,062	\$ -	\$ -
	<hr/> <hr/>		

Nassau Health Care Corporation and Subsidiaries

A. Holly Patterson Extended Care Facility

Revenue & Expenses

(In Thousands)

	Audited FYE 12/31/2017	Projected FYE 12/31/2018	Budgeted FYE 12/31/2019
<u>Operating Revenues:</u>			
Net patient service revenue	\$ 52,656	\$ 47,885	\$ 46,473
<u>Other Operating Revenues:</u>			
NYS Intergovernmental transfer	9,268	7,017	11,870
DSRIP	-	-	
Nassau County Billings	-	-	
Corrections Contract	-	-	
Federal & State Aid	-	-	
Practice Plan Revenue	-	-	
Miscellaneous	691	560	652
Total Operating Revenues	62,615	55,462	58,995
<u>Operating Expenses:</u>			
Salaries	32,993	32,587	30,470
Fringe Benefits	21,656	19,742	20,890
Supplies	3,821	3,726	4,165
Expenses	6,661	6,367	8,163
Utilities	1,272	1,477	1,694
Depreciation Expense	820	877	917
Total Operating Expenses	67,223	64,776	66,299
<u>Income (loss) before OPEB, GASB 68 & other expenses</u>	(4,608)	(9,314)	(7,304)
Employee benefits - OPEB	(3,810)	(6,498)	(6,480)
NYS Actuarial Pension Adjustment	(1,541)	359	
Loss on Abandoned Project Costs	(5,976)		
Operating (loss) income	(15,935)	(15,453)	(13,784)
<u>Non-Operating Activities</u>			
Interest Income	10		
Interest Expense	(2,060)	(1,973)	(1,984)
Total Non-Operating Activities	(2,050)	(1,973)	(1,984)
Change in Net Position	\$ (17,985)	\$ (17,426)	\$ (15,768)

Nassau Health Care Corporation and Subsidiaries
Revenue & Expenses
Physician Faculty Practice Plan
(In Thousands)

	Audited FYE 12/31/2017	Projected FYE 12/31/2018	Budgeted FYE 12/31/2019
<u>Operating Revenues:</u>			
Net patient service revenue	\$ 28,754	\$ 28,656	30,000
<u>Other Operating Revenues:</u>			
NYS Intergovernmental transfer	-	-	-
DSRIP	-	-	-
Nassau County Billings	-	-	-
Corrections Contract	-	-	-
Federal & State Aid	-	-	-
Practice Plan Revenue	(14,700)	(14,747)	(15,000)
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	14,054	13,909	15,000
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<u>Operating Expenses:</u>			
Salaries	11,903	12,323	13,300
Fringe Benefits	465	289	416
Supplies	-	-	-
Expenses	1,686	1,297	1,284
Utilities	-	-	-
Depreciation Expense	-	-	-
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	14,054	13,909	15,000
	<hr/>	<hr/>	<hr/>
<u>Income (loss) before OPEB & GASB 68 expenses</u>	-	-	-
	<hr/>	<hr/>	<hr/>
Employee benefits - OPEB	-	-	-
	<hr/>	<hr/>	<hr/>
Operating loss	-	-	-
	<hr/>	<hr/>	<hr/>
<u>Non-Operating Activities</u>			
Interest Income	-	-	-
Interest Expense	-	-	-
	<hr/>	<hr/>	<hr/>
Total Non-Operating Activities	-	-	-
	<hr/>	<hr/>	<hr/>
Change in Net Position	\$ -	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Nassau Health Care Corporation and Subsidiaries
Nassau Health Care Corp, LTD.
Revenue & Expenses
(In Thousands)

	Audited FYE 12/31/2017	Projected FYE 12/31/2018	Budgeted FYE 12/31/2019
<u>Operating Revenues:</u>			
Net patient service revenue	\$ -	\$ -	
<u>Other Operating Revenues:</u>			
NYS Intergovernmental transfer	-	-	
DSRIP	-	-	\$ -
Nassau County Billings	-	-	-
Corrections Contract	-	-	-
Federal & State Aid	-	-	-
Practice Plan Revenue	-	-	-
Miscellaneous	4,666	10,027	10,000
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	4,666	10,027	10,000
	<hr/>	<hr/>	<hr/>
<u>Operating Expenses:</u>			
Salaries	-	-	-
Fringe Benefits	-	-	-
Supplies	-	-	-
Expenses	1,045	10,027	10,000
Utilities	-	-	-
Depreciation Expense	-	-	-
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	1,045	10,027	10,000
	<hr/>	<hr/>	<hr/>
<u>Income (loss) before OPEB & GASB 68 expenses</u>	3,621	-	-
	<hr/>	<hr/>	<hr/>
Employee benefits - OPEB	-	-	-
Operating loss	3,621	-	-
	<hr/>	<hr/>	<hr/>
<u>Non-Operating Activities</u>			
Interest Income	1,180	-	-
Interest Expense	-	-	-
Total Non-Operating Activities	1,180	-	-
	<hr/>	<hr/>	<hr/>
Change in Net Position	\$ 4,801	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NHCC

Patient Service Volumes

NUMC

Inpatient

	Discharges			Patient Days		
	2017	2018 Projected	2019 Budget	2017	2018 Projected	2019 Budget
Adult & Peds						
Medicine	8159	8,184	8,184	43,293	44,296	44,296
Cardiology	2533	2,473	2,473	8,348	7,609	7,609
OB	1420	1,389	1,389	4,322	4,174	4,174
Peds	981	953	953	2,143	2,057	2,057
NICU	226	255	255	2,755	2,721	2,721
Trauma	638	366	366	2,198	1,842	1,842
Surgery	563	519	519	2,416	2,369	2,369
Ortho	484	595	595	1,519	1,989	1,989
GYN	191	239	239	374	643	643
Burn	66	183	183	887	1,778	1,778
Neuro Surgery	17	23	23	132	167	167
Other	91	90	90	285	264	264
Sub-total	15,369	15,269	15,269	68,672	69,909	69,909
New Born	1112	1029	1029	2,804	2,572	2,572
Physical Med	382	360	360	4,781	4,764	4,764
Chem Dep	380	326	326	8,012	6,548	6,548
Psych	1810	1452	1452	39,389	35,127	35,127
Detox	1322	1353	1353	4,837	4,808	4,808
Total	20,375	19,789	19,789	128,495	123,728	123,728

Outpatient

	Visits		
	2017	2018 Projected	2019 Budget
General Clinic	154203	152,049	152,049
Mental Health Clinics	14454	14,040	14,040
Hemodialysis	24318	23,545	23,545
Other Clinics	11076	11,766	11,766
Emergency Department-Total	69765	67,266	67,266
Emergency Department-Admits	16265	15,809	15,809
Ambulatory Surgery	5168	5,055	5,055

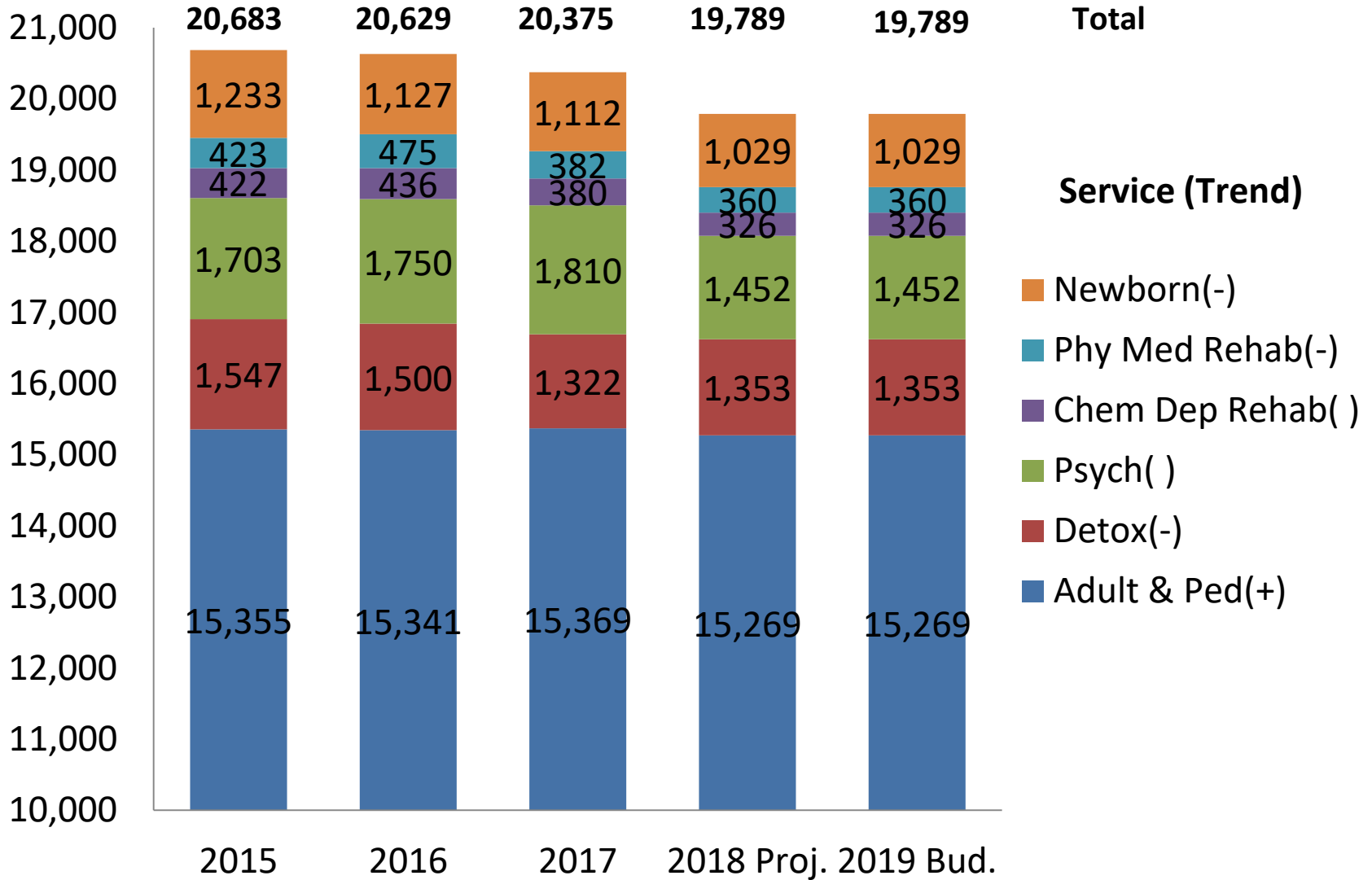
AHP

	Resident Days		
	2017	2018 Projected	2019 Budget
Geri	166,618	156,086	156,931
HIV	6,270	5,902	5,855
Vent	5,943	5,623	5,463
Total	178,831	167,611	168,249

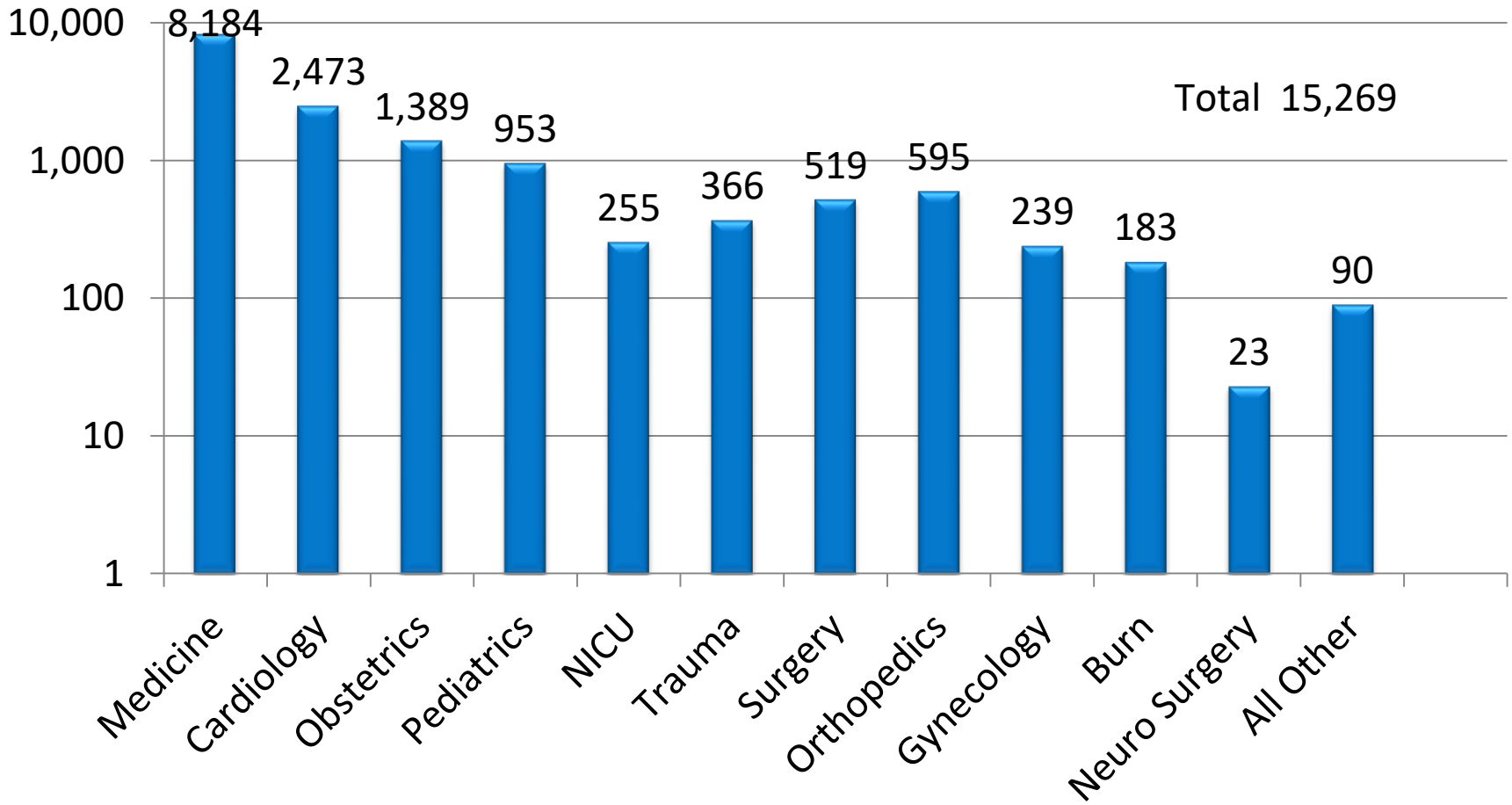
NHCC 2019

Budget Graphs

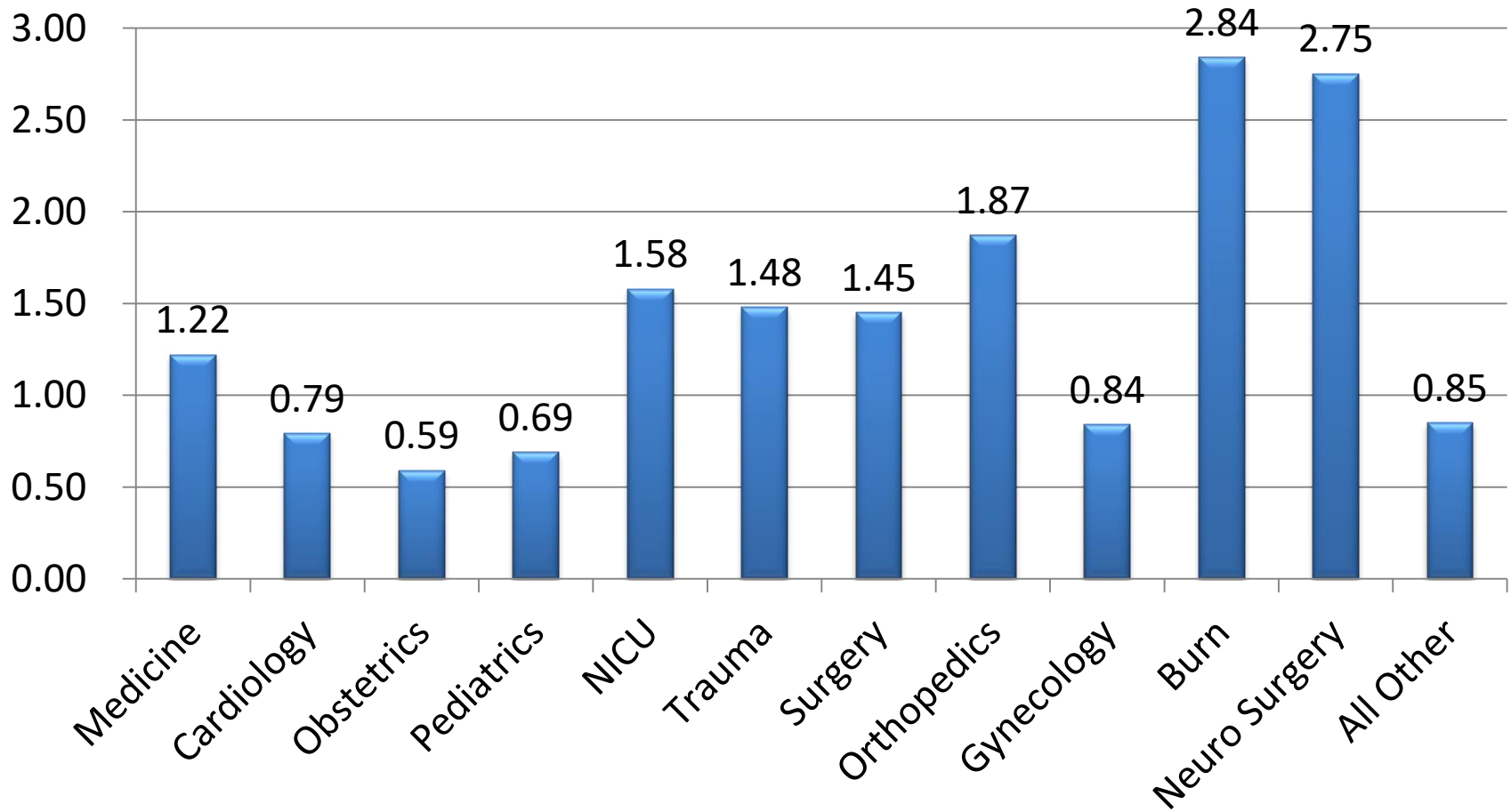
NUMC Discharges



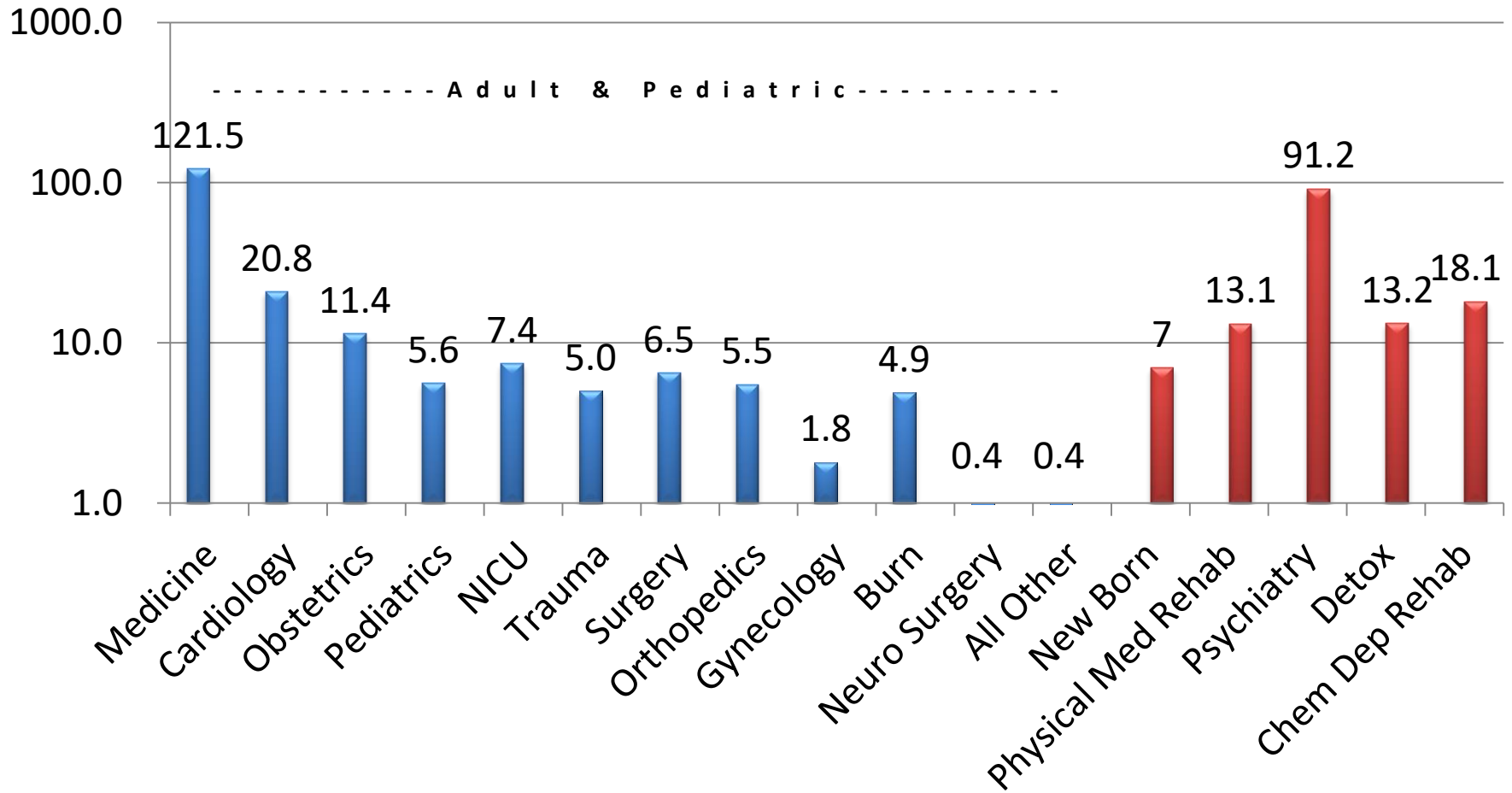
Adult & Pediatric Discharges By Service 2018



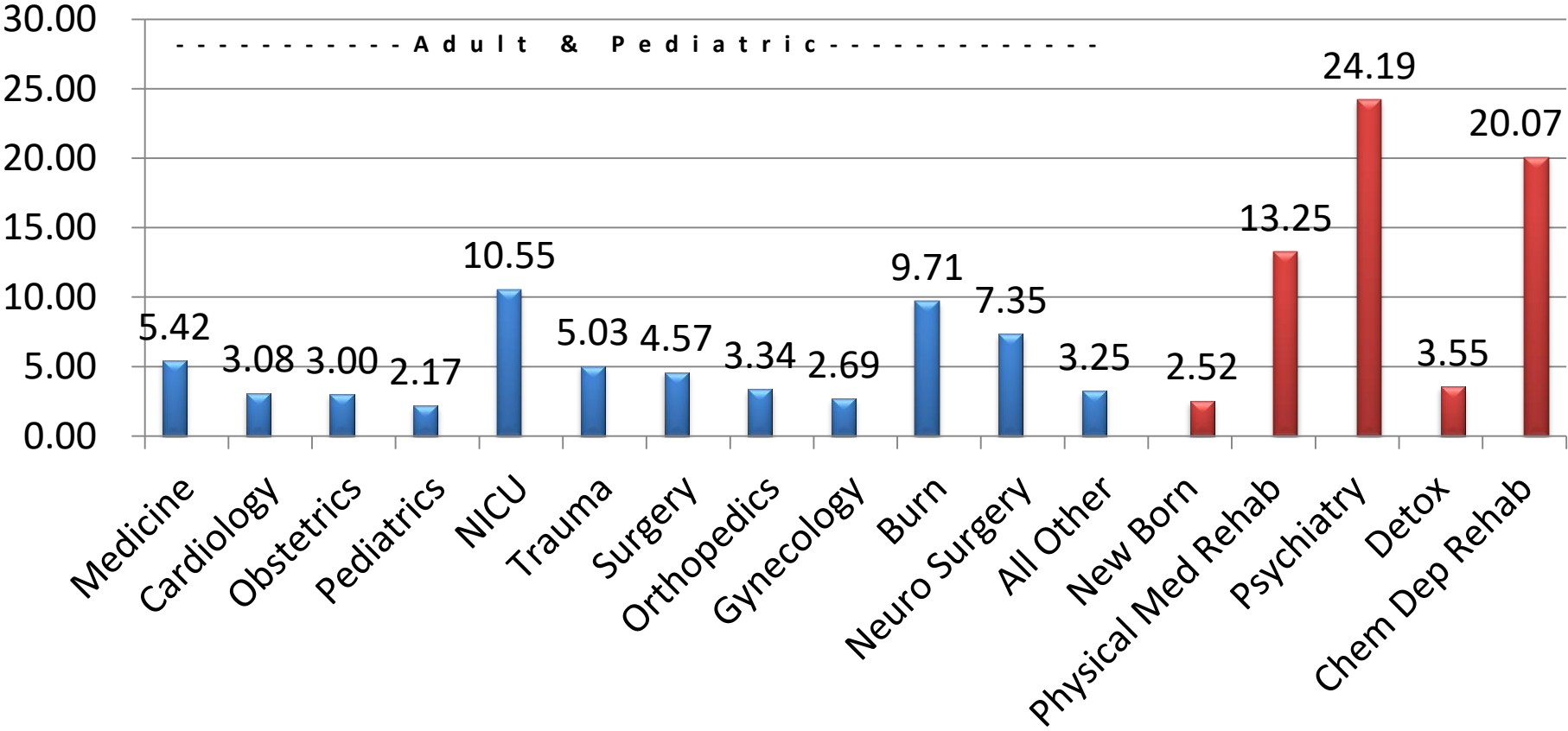
Adult & Pediatric Case Mix Index By Service 2018



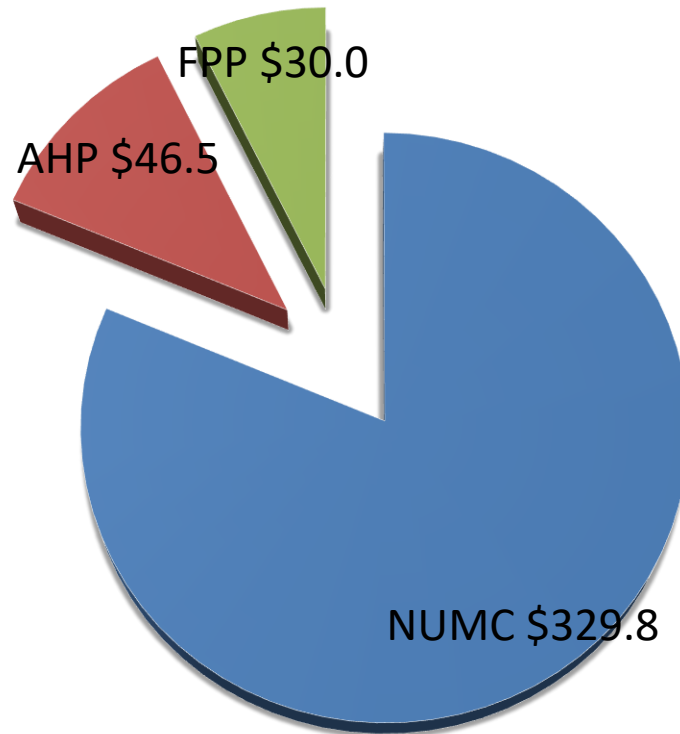
Average Daily Census 2018



Average Length of Stay 2018

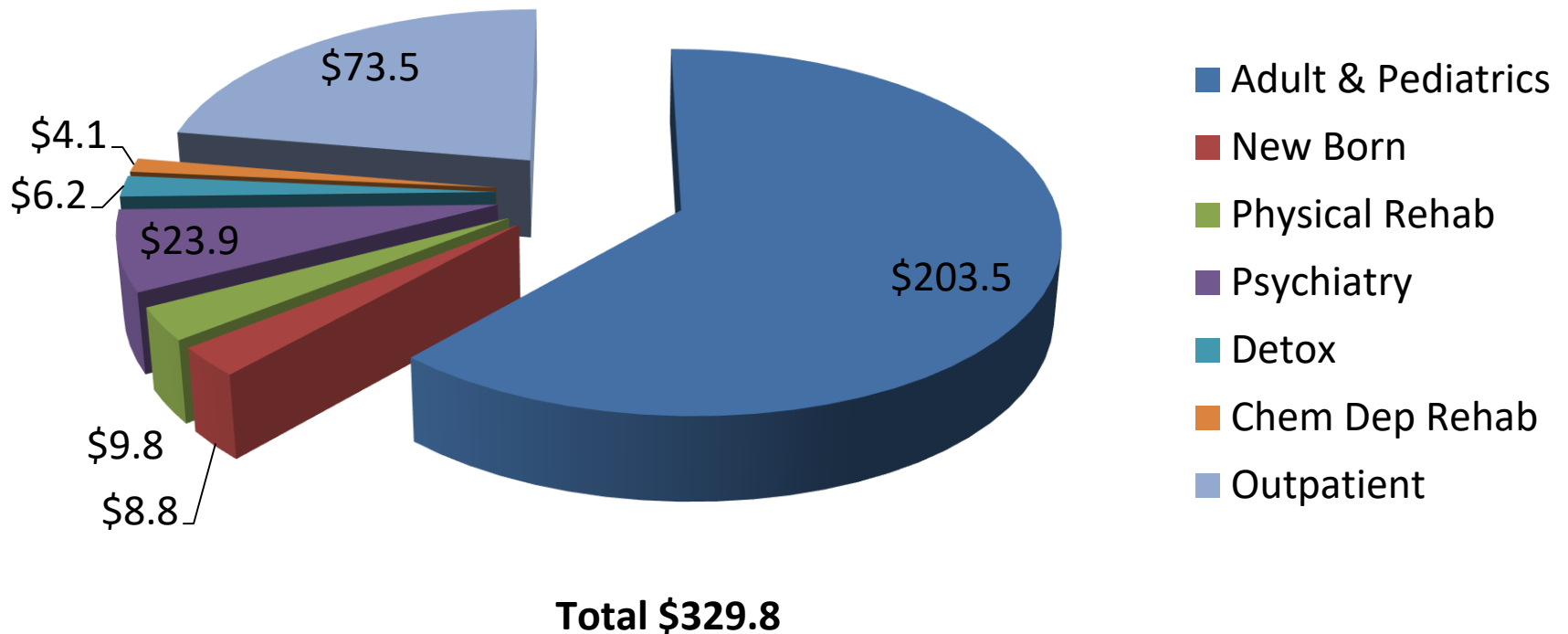


Net Patient Service Revenue Budget 2019 (millions)

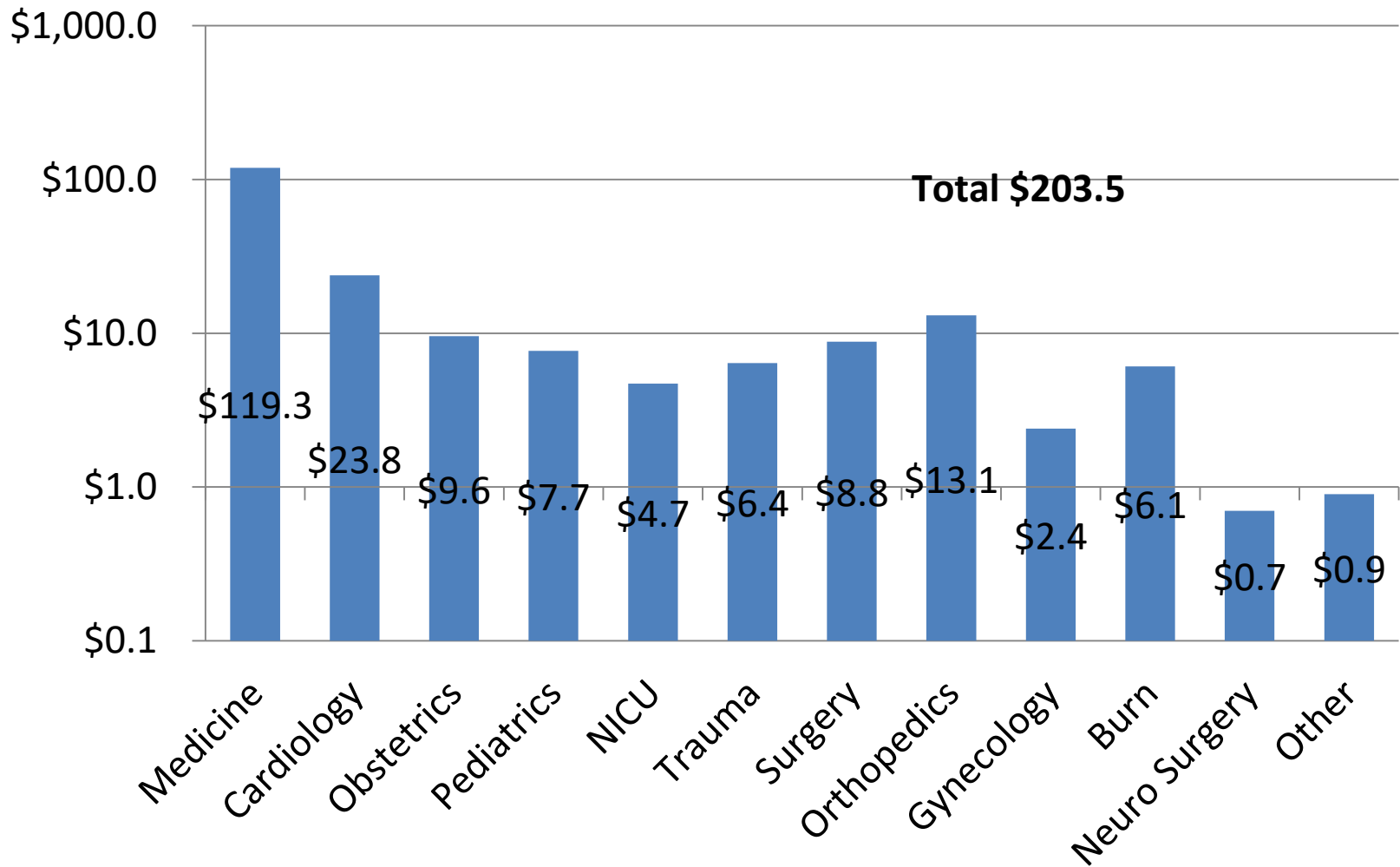


Total \$406.3

NUMC Net Patient Service Revenue Budget 2019 (millions)



NUMC Adult & Pediatric Inpatient Revenue (millions)



Other Operating Revenue

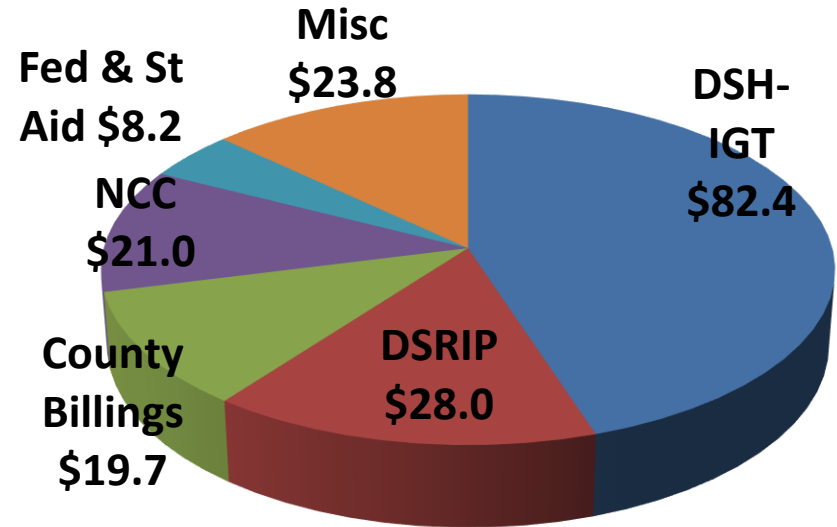
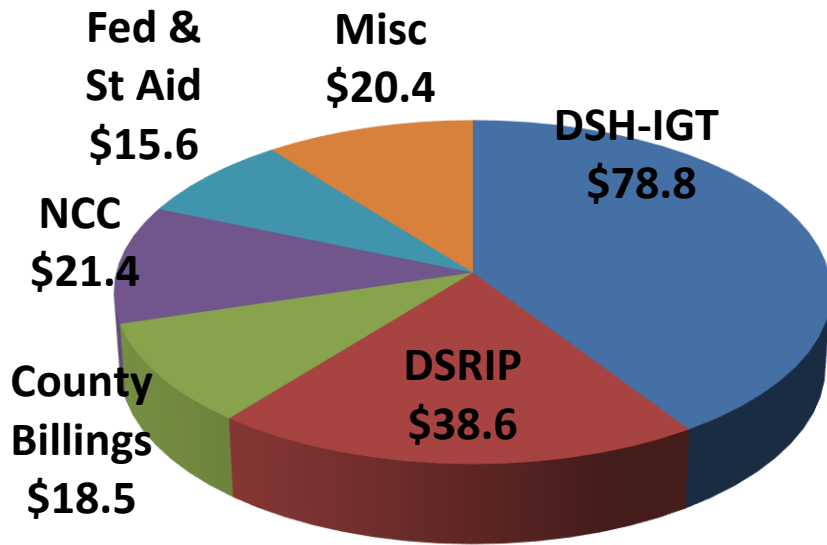
(millions)

2018

2019

Total-\$193.3

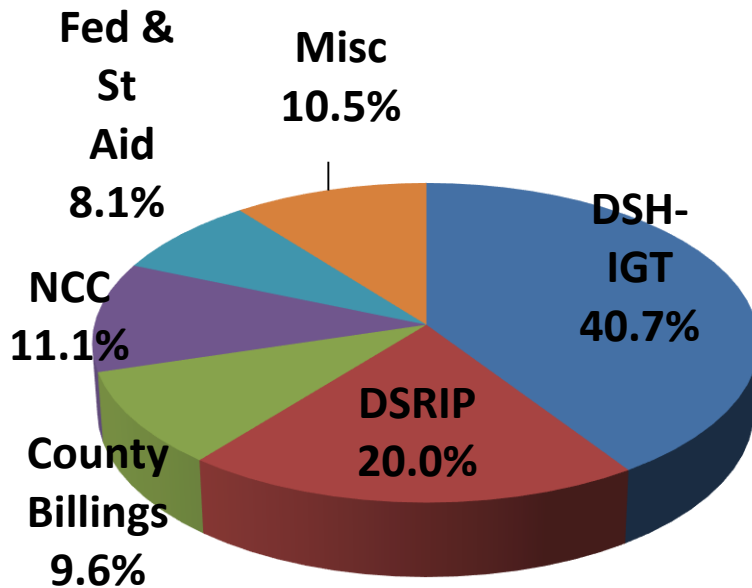
Total-\$183.1



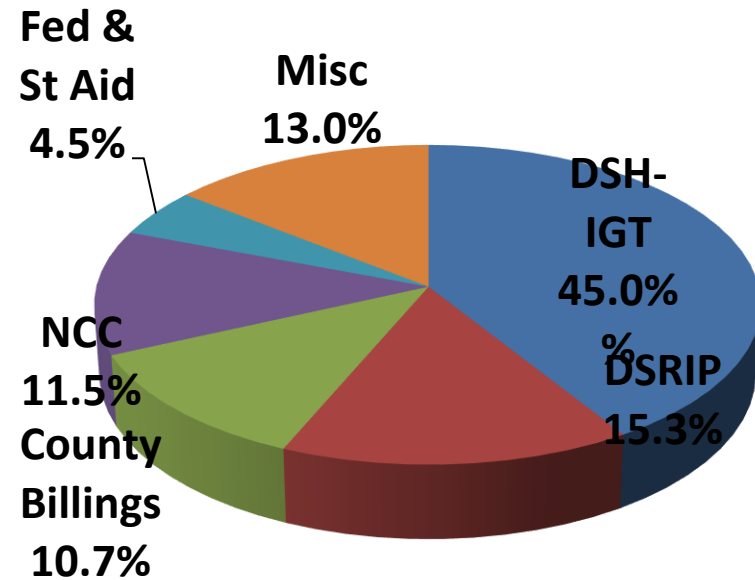
Other Operating Revenue

(Percentage)

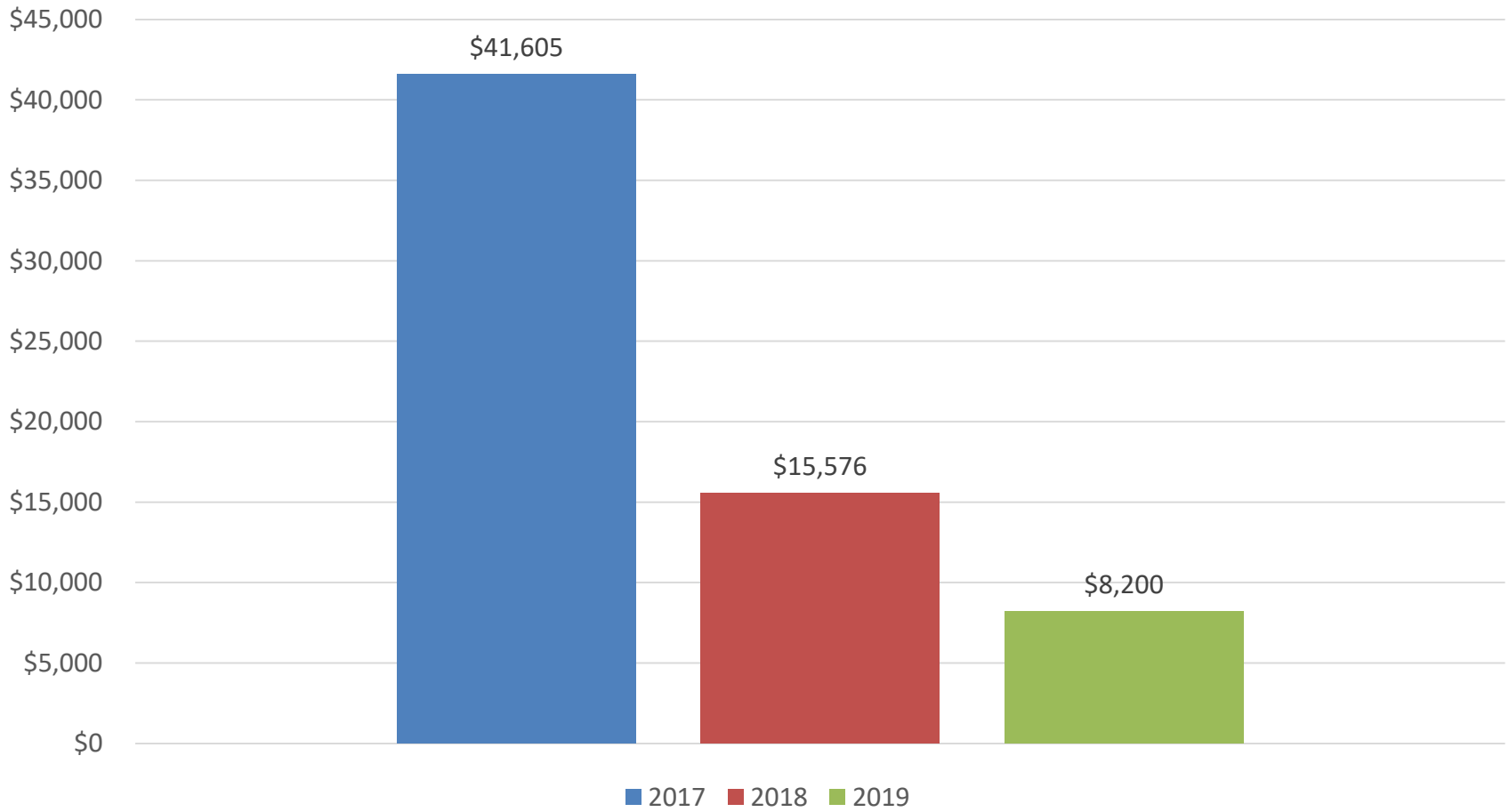
2018



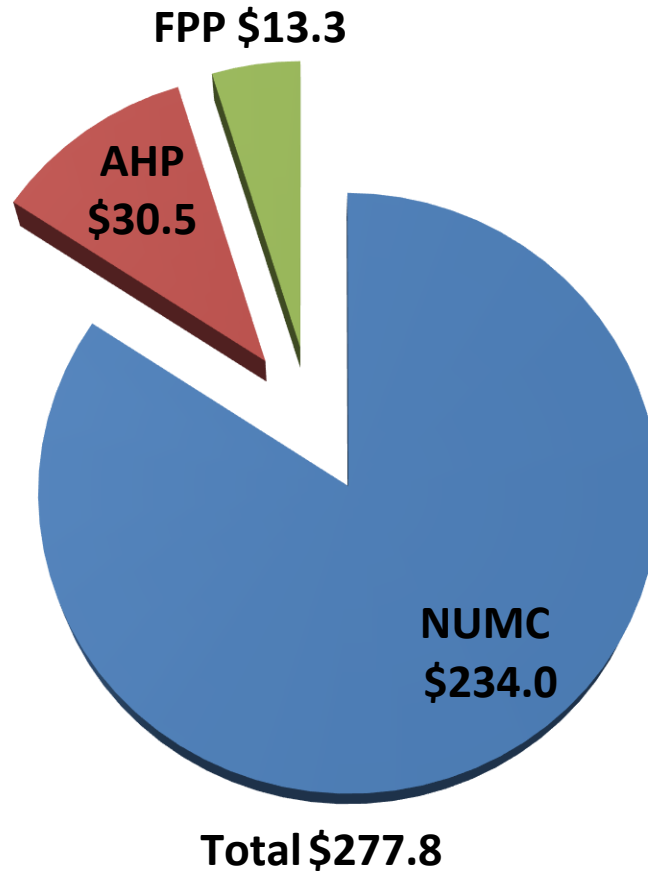
2019



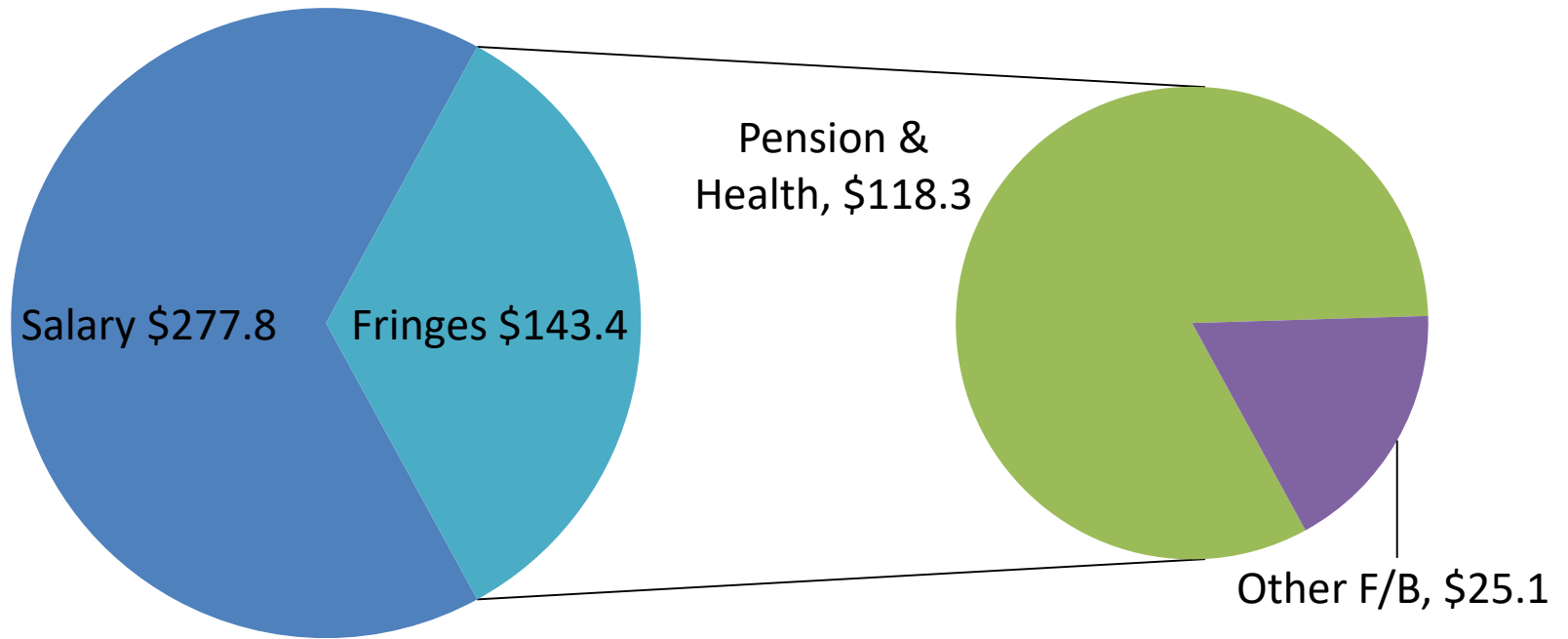
Federal & State Aid



Salaries (millions)

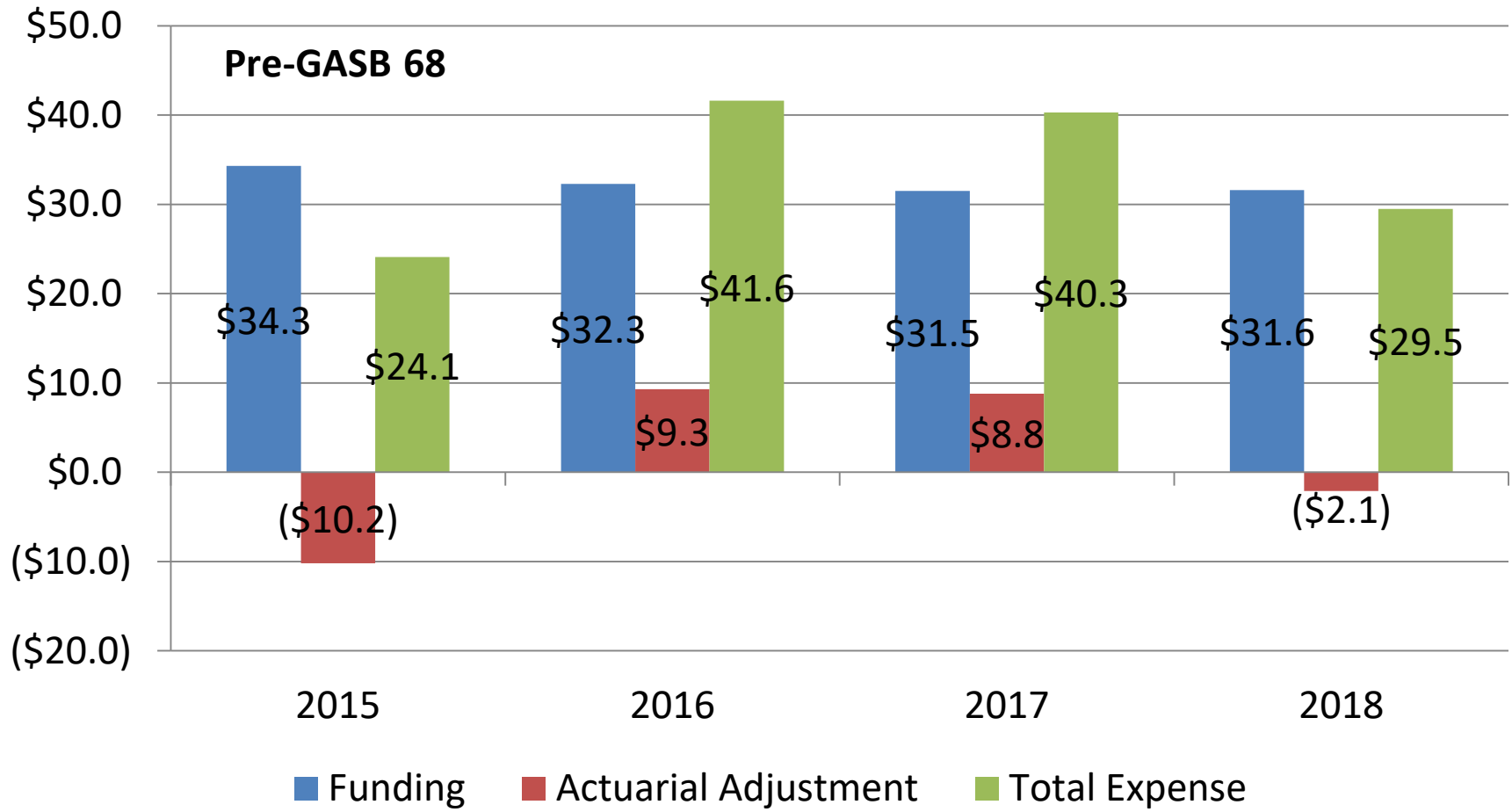


Salary & Fringe Benefits (millions)



NYS Pension Expense

(Millions)



NYS Actuarial Pension Expense Adjustment (millions)

