

# Fiscal Year 2020 Budget

ANTELOPE VALLEY  
HOSPITAL

*A facility of Antelope Valley Healthcare District*



# Statement of Operations

(In Thousands)

	Budget 2020	Fiscal Year June 2019	Variance	Fiscal Year June 2018	Variance
<b>Operating Revenue</b>					
Net Patient Service Revenue	\$ 393,818	\$ 370,491	\$ 23,327	\$ 393,183	\$ 635
Supplemental Funds/Settlements/Prime	39,744	46,854	(7,110)	42,005	(2,261)
Other	13,849	10,771	\$ 3,078	8,778	5,071
<b>Total Operating Revenue</b>	<b>447,411</b>	<b>428,116</b>	<b>19,295</b>	<b>443,966</b>	<b>3,445</b>
<b>Operating Expenses</b>					
Salaries and Wages	190,507	178,168	12,339	173,263	17,244
Contract Labor	12,758	13,581	(823)	16,757	(3,999)
Benefits and FICA	68,690	67,646	1,044	60,835	7,855
Supplies	49,434	47,626	1,808	53,562	(4,128)
Drugs	12,499	11,630	869	11,497	1,002
Professional Fees	30,986	35,056	(4,070)	25,259	5,727
Purchased Services	31,009	29,732	1,277	26,744	4,265
Facility Operations	13,587	13,310	277	13,935	(348)
Intergovernmental Transfers (IGT)	6,687	6,800	(113)	7,790	(1,103)
Other Expenses	3,671	3,818	(147)	9,393	(5,722)
<b>Total Operating Expenses</b>	<b>419,828</b>	<b>407,367</b>	<b>12,461</b>	<b>399,035</b>	<b>20,793</b>
<b>OPERATING EBIDA</b>	<b>27,583</b>	<b>20,749</b>	<b>6,834</b>	<b>44,931</b>	<b>(17,348)</b>
<b>Capital Expenses</b>					
Depreciation	19,042	18,098	944	14,618	4,424
Interest Expense	6,049	6,485	(436)	6,741	(692)
	<b>25,091</b>	<b>24,583</b>	<b>508</b>	<b>21,359</b>	<b>3,732</b>
<b>Income (Loss) From Operations</b>	<b>2,492</b>	<b>(3,834)</b>	<b>6,326</b>	<b>23,572</b>	<b>(21,080)</b>
<b>Investment Income</b>	6,211	6,422	(211)	1,726	4,485
<b>NET INCOME (LOSS)</b>	<b>\$ 8,703</b>	<b>\$ 2,588</b>	<b>\$ 6,115</b>	<b>\$ 25,298</b>	<b>\$ (16,595)</b>
<i>Income from Operations Margin %</i>	0.6%	-0.9%	1.5%	5.3%	-4.8%
<i>Operating EBIDA %</i>	6.2%	4.8%	1.3%	10.1%	-4.0%
<i>Excess Margin %</i>	1.9%	0.6%	1.3%	5.7%	-3.8%
<b>Operating EBIDA w/o Supplemental and IGT</b>	<b>\$ (5,474)</b>	<b>\$ (19,305)</b>	<b>\$ 13,944</b>	<b>\$ 10,716</b>	<b>\$ (15,087)</b>



# Key Operating Indicators

(In Thousands)	Budget 2020	Fiscal Year June 2019	Variance	Fiscal Year June 2018	Variance
<b>Gross Revenue</b>					
Inpatient	\$ 1,246,197	\$ 1,201,691	\$ 44,506	\$ 1,280,867	(34,670)
Outpatient	654,591	636,295	18,296	619,987	34,604
<b>TOTAL</b>	<b>\$ 1,900,788</b>	<b>\$ 1,837,986</b>	<b>62,802</b>	<b>\$ 1,900,854</b>	<b>\$ (66)</b>
<b>Deductions</b>					
Contractual Adjustments	(1,462,503)	(1,418,643)	(43,860)	(1,477,821)	15,318
Charity Care	(9,314)	(9,624)	310	(9,969)	655
Bad Debts	(35,153)	(39,228)	4,075	(19,881)	(15,272)
<b>Net Patient Service Revenue</b>	<b>\$ 393,818</b>	<b>\$ 370,491</b>	<b>\$ 23,327</b>	<b>\$ 393,183</b>	<b>\$ 635</b>
<i>Realization Rate on Gross Charges</i>	20.7%	20.2%	0.6%	20.7%	0.0%
<i>Charity Care and Bad Debt %</i>	2.3%	2.7%	-0.3%	1.6%	0.8%
<b>Net Operating Revenue</b>	<b>\$ 447,411</b>	<b>\$ 428,116</b>	<b>\$ 19,295</b>	<b>\$ 443,966</b>	<b>\$ 3,445</b>
<b>Salaries</b>	\$ 190,507	\$ 178,168	12,339	\$ 173,263	17,244
Contract Labor	12,758	13,581	(823)	16,757	(3,999)
<b>TOTAL</b>	<b>\$ 203,265</b>	<b>\$ 191,749</b>	<b>\$ 11,516</b>	<b>\$ 190,020</b>	<b>\$ 13,245</b>
<i>Contract Labor as % of Total Salaries</i>	6.3%	7.1%	-0.8%	8.8%	-2.5%
<b>Benefits</b>	\$ 68,690	\$ 67,646	\$ 1,044	\$ 60,835	\$ 7,855
<i>Benefits as % of Salaries (w/o contract labor)</i>	36.1%	38.0%	-1.9%	35.1%	0.9%
<i>Total Labor Costs as % of Net Operating Revenue</i>	60.8%	60.6%	0.2%	56.5%	4.3%
<b>Paid FTE's</b>	2,210	2,185	25	2,249	(39)
FTE'S per Adjusted Occupied Bed	6.18	6.36	(0.18)	6.61	(0.43)
<b>Supplies and Drugs</b>	\$ 61,933	\$ 59,256	\$ 2,677	\$ 65,059	\$ (3,126)
<i>Supplies as % of Net Operating Revenue</i>	13.8%	13.8%	0.0%	14.7%	-0.8%
<i>Average Age of Plant (Years)</i>	15.4	15.2	0.2	17.7	(2.3)
<i>A/R Days</i>	54.8	60.6	(5.8)	47.9	6.9
<i>Cash to Debt Ratio</i>	130.9%	136.8%	-6.0%	117.6%	13.3%
<i>Unrestricted Cash Balances</i>	\$ 185,475	\$ 191,699	\$ (6,224)	\$ 170,042	\$ 15,433
<i>Liquidity Covenant - Days of Cash (55 Days)</i>	147.2	154.4	(7.2)	145.8	1.43
<i>Income Available for Debt Service</i>	\$ 33,794	\$ 27,171	\$ 6,623	\$ 46,657	\$ (12,863)
<i>Debt Service Coverage Covenant (1.20x)</i>	2.41	2.12	0.29	3.59	(1.18)

# Statistics

	Budget 2020	Fiscal Year June 2019	Variance	Fiscal Year June 2018	Variance
Discharges	20,607	19,716	891	20,829	(222)
Adjusted Discharges	31,404	30,075	1,329	30,928	476
Patient Days	85,882	82,170	3,712	83,662	2,220
Adjusted Patient Days	130,865	125,302	5,563	124,202	6,663
Observation Patient Days	4,069	3,869	200	3,344	725
Average Daily Census	234.7	225.1	10	229.2	5
Adjusted Occupied Bed	357.6	343.3	14	340.3	17
General Length of Stay	4.17	4.17	(0.00)	4.02	0.15
All Payor CMI	1.34	1.30	0.04	1.30	0.04
Medicare Length of Stay	5.05	5.09	(0.04)	5.08	(0.03)
Medicare CMI	1.85	1.81	0.04	1.81	0.04
Deliveries	4,669	4,629	40	4,687	(18)
Surgeries at Womens and Infants Center	1,568	1,552	16	1,670	(102)
Trauma Cases	1,357	1,252	105	1,322	35
Emergency Room Visits	130,496	126,171	4,325	129,933	563
Admissions from Emergency Room	14,039	13,495	544	13,800	239
<i>Conversion Rate to Admissions</i>	10.8%	10.7%	0.1%	10.6%	0.1%
<i>Percentage of Total Admissions</i>	68.1%	68.4%	-0.3%	66.3%	1.9%
GI Procedures	3,877	3,789	88	3,587	290
Inpatient Surgeries	3,978	3,900	78	6,261	(2,283)
Outpatient Surgeries	3,912	3,835	77	3,234	678
<b>Total Surgeries</b>	<b>7,890</b>	<b>7,735</b>	<b>155</b>	<b>9,495</b>	<b>(1,605)</b>

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# Payor Mix Comparison

	Budget 2020	Fiscal Year June 2019	Variance	Fiscal Year June 2018	Variance
Medicare Traditional	17.8%	17.8%	0.0%	19.0%	-1.2%
Medicare Managed Care	16.9%	16.8%	0.1%	16.3%	0.6%
Medi-Cal	10.2%	10.3%	-0.1%	11.3%	-1.1%
Medi-Cal Managed Care	29.1%	29.1%	0.0%	27.5%	1.6%
Commercial / Managed Care	21.7%	21.6%	0.1%	21.5%	0.2%
Other	2.0%	2.1%	-0.1%	2.0%	0.0%
Self-Pay	2.3%	2.3%	0.0%	2.4%	-0.1%
	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>
<b>Percentage of Government Payors</b>	<b>74.0%</b>	<b>74.0%</b>	<b>0.0%</b>	<b>74.1%</b>	<b>-0.1%</b>

# Projected Major Capital Expenditures

Goal = 80% EBIDA

**\$22,066,000**

**Description - Major Items**

**Amount**

Phase I - Architectural and engineering fees  
for design of new hospital - Approved April 2019

**\$ 9,070,000**

- Construction Phase for Bi-Plane and CT Equipment
- CT Scanner and Other Imaging Equipment
- Hospital-Wide Pharmacy Delivery System
- Information Technology
- Campus-Wide Security System
- Hospital Beds
- Lab Equipment
- Parking Lot and Grounds Improvements
- Surgery Equipment
- Medical and Other Equipment

- 1,900,000
- 2,100,000
- 2,900,000
- 3,000,000
- 850,000
- 230,000
- 290,000
- 250,000
- 250,000
- 1,226,000
- \$ 22,066,000**

**CAPITAL LEASE**  
**Emergency Room Expansion - Completion 4th Quarter 2020**  
**Approved April 2019**  
**Capitalized Lease Cost: \$8,700,000**

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# Cash Flow Analysis

	Budget 2020	Fiscal Year June 2019	Fiscal Year June 2018
<b>Beginning Cash and Investments</b>	\$ 191,699	\$ 170,042	\$ 169,614
<b>Cash Flows from Operating Activities</b>			
<b>Patients and Insurance</b>	393,818	370,491	393,183
<b>Supplemental Funds</b>	39,744	46,854	42,005
<b>Other</b>	13,849	10,771	8,778
<b>Decrease (Increase) in Current Assets</b>	1,495	(6,827)	4,447
<b>TOTAL</b>	<b>448,906</b>	<b>421,289</b>	<b>448,413</b>
<b>Operating Disbursements</b>			
<b>Payroll / Taxes / Benefits</b>	271,955	259,395	250,855
<b>Supplies and Rx</b>	61,933	59,256	65,059
<b>Professional Fees</b>	30,986	35,056	25,259
<b>Purchased Services</b>	31,009	29,732	26,744
<b>Facility Operations</b>	13,587	13,310	13,935
<b>Intergovernmental Transfers</b>	6,687	6,800	7,790
<b>Other Expenses</b>	3,671	3,818	9,393
<b>Decrease (Increase) in Current Liabilities</b>	5,831	(8,983)	14,446
<b>TOTAL</b>	<b>425,659</b>	<b>398,384</b>	<b>413,481</b>
<b>Capital Disbursements</b>			
<b>Interest</b>	6,049	6,485	6,741
<b>Capital Expenditures</b>	22,066	11,524	34,884
<b>Debt Principal Payments</b>	7,567	7,017	7,410
<b>TOTAL</b>	<b>35,682</b>	<b>25,026</b>	<b>49,035</b>
<b>Net Change in Operating Cash</b>	<b>(12,435)</b>	<b>(2,121)</b>	<b>(14,103)</b>
<b>Transfer of Funds from Designated</b>		17,356	12,805
<b>Investment Income / (Loss)</b>	6,211	6,422	1,726
<b>Total Change</b>	<b>(6,224)</b>	<b>21,657</b>	<b>428</b>
<b>Ending Cash Balance</b>	<b>\$ 185,475</b>	<b>\$ 191,699</b>	<b>\$ 170,042</b>

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# Balance Sheet Comparison

	Budget 2020	Fiscal Year June 2019	Fiscal Year June 2018
(In Thousands)			
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 70,000	\$ 73,500	\$ 56,246
Investments	115,475	118,199	113,796
Patient Accounts Receivable - Net	59,000	61,545	51,584
Inventories	6,000	6,150	6,073
Prepaid Expenses/Other	5,000	3,800	8 7,011
Total	<u>255,475</u>	<u>263,194</u>	<u>234,710</u>
<b>Property Plant &amp; Equipment</b>			
Land and Land Improvements	34,045	33,795	33,795
Buildings and Fixed Equipment	215,000	210,580	210,522
Major Movable Equipment	205,525	196,503	165,572
Construction In Process	25,000	16,049	28,795
Capitalized Leases	13,100	4,598	2,113
Subtotal	<u>492,670</u>	<u>461,525</u>	<u>440,797</u>
Accumulated Depreciation	(293,959)	(274,917)	(258,679)
Total	<u>198,711</u>	<u>186,608</u>	<u>182,118</u>
Trustee Assets Limited to Use	18,500	18,100	35,456
Deferred			7,474
Other Assets	4,314	4,598	5,684
Total Assets	<u>\$ 477,000</u>	<u>\$ 472,500</u>	<u>\$ 465,442</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 21,328	\$ 22,165	\$ 22,721
Accrued Compensation and Benefits	18,500	19,620	15,139
Pension Liability	120,000	124,000	128,133
Third Party Settlements	10,000	10,092	3,778
Self-Insurance Reserve	29,000	28,782	25,905
Current Portion Long-Term Debt	7,160	7,016	2,803
Total	<u>205,988</u>	<u>211,675</u>	<u>198,479</u>
<b>LONG-TERM DEBT</b>	<b>134,567</b>	<b>133,083</b>	<b>141,809</b>
<b>FUND BALANCE</b>			
Unrestricted	129,323	120,620	118,032
Restricted	7,122	7,122	7,122
Total	<u>136,445</u>	<u>127,742</u>	<u>125,154</u>
Total Liabilities and Fund Balance	<u>\$ 477,000</u>	<u>\$ 472,500</u>	<u>\$ 465,442</u>

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# Supplemental Funds / Prime

	Budget 2020	Fiscal Year June 2019	Variance	Fiscal Year June 2018	Variance
NDPH (SB 1225)	\$ 2,450	\$ 2,450	\$ -	\$ 2,450	\$ -
SB 1100	-	5,430	(5,430)	(11,779)	11,779
AB915 Medi-Cal Outpatient	1,278	1,468	(190)	1,469	(191)
AB 915 Expansion	1,001	2,585	(1,584)	2,354	(1,353)
Hospital Fee Program (HQAFS)	9,029	9,029	-	4,347	4,682
Hospital Fee Program Direct Grant	2,801	2,801	-	7,266	(4,465)
ACA AB 113 FY 2014 and FY 2015	-	-	-	3,807	(3,807)
Cost Report Settlement	-	(207)	207	1,333	(1,333)
IGT AB113 - Net	2,166	2,166	-	2,427	(261)
IGT Managed Care Health Net	-	-	-	318	(318)
Prime Project	7,823	7,823	-	15,136	(7,313)
Meaningful Use Medi-Cal	-	-	-	(147)	147
Meaningful Use Medicare	-	-	-	515	(515)
Trauma	6,509	6,509	-	4,719	1,790
<b>TOTAL</b>	<b>\$ 33,057</b>	<b>\$ 40,054</b>	<b>\$ (6,997)</b>	<b>\$ 34,215</b>	<b>\$ (1,158)</b>
Gross Receipts to AVH	\$ 39,744	\$ 46,854	\$ (7,110)	\$ 42,005	\$ (2,261)
ITG Remittances to California	(6,687)	(6,800)	113	(7,790)	1,103
	<b>\$ 33,057</b>	<b>\$ 40,054</b>	<b>\$ (6,997)</b>	<b>\$ 34,215</b>	<b>\$ (1,158)</b>

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