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BUDGET 2013 - 2014

Approved by the Hospital Board May 23, 2013



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May 3, 2014

Board of Directors
Sitka Community Hospital
209 Moller Avenue Sitka, AK 99835

Dear Hospital Board Members:

The draft budget for fiscal year ending June 30, 2014 for Sitka Community Hospital is included for your review, discussion and adoption. The budget process this year continues to be challenging due to the many unknowns with the continuing implementation of the Affordable Care Act (ACA), the addition of the Insurance Exchanges/Marketplaces, employee tracking for health insurance coverage and the lack of a decision by the Governor on Medicaid Expansion. The ongoing issues with SEARHC continue to funnel patients as well as new employees our way but where that will end up is anyone's guess and we continue to watch the outcome of the purchase of Sitka Medical Center by SEARHC. The economy in general and specifically in Sitka continues to be on a downturn. I do not believe our Charity Care or Bad Debts will decrease with the implementation of the ACA and quite frankly expect them to increase as our residents continue to need healthcare services but with no access to affordable insurance. I believe our Medical Staff has now solidified so we are pretty well covered from a primary care perspective. There are some needs though and we are still trying to expand the specialists who visit us on a monthly basis. Given these challenges Ms. Ida Eliason, Accounting Manager, and I continue to utilize a more conservative approach in constructing this budget. Directors and managers prepared departmental and division budgets with input from the medical staff both from an operational as well as a capital equipment perspective. With some expected growth in utilization to our obstetrical services, surgical services, and physician clinic. There are no budgeted increases in rates. This will be evaluated after six months to determine if a rate increase might be necessary. The budget is built around volume increases consistent with anticipated growth in the above mentioned areas and on historical trends with respect to swing bed statistics. Also additional costs are included for minor equipment and for continued staff training as we move to our new information system to include an electronic health record. A \$25,640 Income from Operations is being budgeted. Adding in Non-Operating Revenue, City Capital Support and Tobacco Tax Support a positive Net Income of \$817,786 is being budgeted.

Fiscal year 2013 continued to be a year of changes and new challenges. The Hospital has exceeded revenue expectations but has also exceeded anticipated expenses as well. We continued to require Travelers much more than anticipated but hope 2014 will improve. The Rehab Department was able to hire therapists so for the first time in many years that department is fully staffed. The Nursing unit anticipates being fully staffed by this fiscal year end but there are funds budgeted just in case the need arises for continued travelers. The Operating Room continues to be a difficult area in which to recruit and there are 2 travelers budgeted for the entire 2014 fiscal year. We are evaluating Physician needs to cover the Emergency Room as Mountainside Clinic is growing rapidly while Sitka Medical has reduced its ER coverage. The open staff position list is currently at 11 positions with 4 of those being for Registered Nurses and 8 are for PRN (use when needed) positions. This is an improvement over prior year. The budget again includes expenses for a new information system that includes an electronic health record as we did not get an early enough start to get it all within the current fiscal year. We continue to look for and analyze opportunities to provide additional services that can support themselves. Long Term Care utilization has moved around a little this year but appears to have stabilized so the budget for next year reflects an average daily census of 12 even though our current LTC census is 13.

Other areas that will impact Hospital operations in 2014 are a 5% overall increase for both supplies purchased locally and in the cost of supplies and services from outside vendors. The Hospital experienced a 15.19% increase in health insurance rates effective April 1. There is no increase to the wage scale this year. The national

average wage increase remains in the area of 2% to 2.5% which is what our step increases are so all employees will still receive an increase this year except those at the top of their respective scale. Salaries are budgeted to increase by 2.30% due to step increases and hopefully there will be less turnover this next year. There have been some changes in positions and responsibilities within the organization. Traveler expense is expected to go down somewhat from this fiscal year but there still is a need in a couple of departments.

City Capital support and Tobacco Tax Receipts are budgeted the same as this year at \$154,546 and \$450,000 respectively. The Capital Support will be used toward our capital equipment budget while the Tobacco Tax will go first toward operations if needed then toward capital needs. Two major projects are occurring over two fiscal year periods. The Roof Replacement project (funded by the State of Alaska) should be in full swing soon. The conversion to the new Centriq Information System has run into some delays and will not be fully implemented until fiscal 2014. The Hospital is still trying to fund this from operating funds and is using the line of credit of \$500,000 from the City as a backup plan if necessary. Otherwise the line of credit is held in reserve for emergency needs.

Should this budget come to fruition cash flow will fund operations and hopefully some of our Capital Equipment budget. Although there is capital equipment budgeted, equipment will not be purchased unless funding is secured or the purchase is absolutely necessary. Since there are some larger priced projects on the list the Hospital will be seeking Grant Funding as well as State Legislative Capital Budget Funding as well (like the Hospital is receiving for the roof replacement. These larger projects are totally dependent on securing funding prior to initiating.

As previously stated this budget is intentionally conservative, however, actual outcomes will vary. Fiscal Year 2014 will be full of challenges for Sitka Community Hospital. We will complete implementation of the new information system including an electronic health record, deal with changes required by federal and state healthcare reform and await the Governor's decision on expanding Medicaid as we struggle with the economy, expand our services, and continue to provide quality healthcare services to those who live in and visit Sitka.

Sincerely,

Lee W. Bennett
Director of Fiscal Services/ CFO

SITKA COMMUNITY HOSPITAL
CITY BUDGET SUMMARY
FY2013/2014 BUDGET

REVENUE	
From Operations	23,916,264
From Other Non-Patient Revenue	187,600
Total Revenue	<u>\$24,103,864</u>

EXPENSE	
Wages and Salaries	10,194,275
Benefits	6,366,374
Operating Expense	6,277,888
Subtotal	<u>22,838,537</u>

City Funded Capital Outlay	154,546
City Funded Capital Outlay - Chiller	0
From Tobacco Tax Revenue	450,000
Subtotal	604,546

To / (From) Reserve	1,869,873
Total Expenses & Reserves w/o Depreciation	<u>\$24,103,864</u>

SITKA COMMUNITY HOSPITAL
STATEMENT OF REVENUE & EXPENSES
FY2013/2014 BUDGET
WITHOUT DEPRECIATION EXPENSE

	ACTUAL YTD 1/31/2013	ESTIMATED 06/30/13	BUDGET 06/30/13	BUDGET 06/30/14
INPATIENT	2,837,575	4,864,412	4,500,074	5,742,861
OUTPATIENT	8,347,638	14,310,237	12,990,514	14,946,391
LTC	<u>2,481,593</u>	<u>4,254,159</u>	<u>4,508,838</u>	<u>4,473,215</u>
GROSS REVENUE	13,666,806	23,428,808	21,999,427	25,162,467
CHARITY CARE	(494,329)	(847,422)	(900,000)	(850,000)
CONTRACTUAL ADJUSTMENTS	(704,832)	(1,392,821)	(835,991)	(2,011,933)
NET PATIENT REVENUE	12,467,645	21,188,565	20,263,436	22,300,534
OTHER	<u>881,946</u>	<u>1,511,909</u>	<u>1,197,633</u>	<u>1,615,730</u>
TOTAL OPERATION REVENUE	13,349,591	22,700,474	21,461,069	23,916,264
SALARIES	5,823,291	9,965,348	9,633,977	10,112,769
EMPLOYEE BENEFITS	3,424,805	5,869,730	5,568,524	6,364,685
SUPPLIES	793,031	1,360,602	1,256,273	1,431,543
BAD DEBT	389,138	667,092	800,000	779,250
PURCHASED SERVICES	633,890	1,086,667	833,152	1,043,886
PROFESSIONAL SERVICE	358,219	609,731	647,760	633,600
DEPRECIATION	0	0	0	0
UTILITIES	233,956	401,083	407,289	422,389
REPAIRS & MAINTENANCE	384,982	659,967	496,115	615,136
INSURANCE	105,113	180,193	169,588	189,203
RENTAL AND LEASES	72,253	123,862	109,270	129,200
TRAVELER SERVICES	345,244	591,846	211,000	427,600
OTHER EXPENSE	56,535	82,031	111,168	130,463
MINOR EQUIPMENT	178,908	285,956	223,837	213,691
TRAINING AND EDUCATION	54,907	94,126	112,782	147,212
COLLECTION FEE	24,096	41,308	52,000	42,800
ADVERTISING	19,848	34,025	46,089	36,350
RECRUITMENT AND RELOCATION	<u>37,388</u>	<u>64,092</u>	<u>8,700</u>	<u>35,565</u>
TOTAL OPER EXPENSE	12,935,604	22,117,659	20,687,524	22,755,342
OPERATING INCOME / (LOSS)	413,988	582,815	773,545	1,160,922
NON OPERATING REVENUE/EXPENSE				
DONATIONS	20,769	35,604	150,000	40,000
GRANT REVENUE	170,059	291,530	75,000	150,000
INTEREST REVENUE	12,973	22,240	24,000	18,000
LOSS/GAIN SALE OF ASSETS	(956)	(1,639)	0	0
INTEREST EXPENSE	<u>(14,469)</u>	<u>(24,804)</u>	<u>(45,000)</u>	<u>(20,400)</u>
NON OPERATING REVENUE/EXPENSE	188,376	322,931	204,000	187,600
INCOME / (LOSS) BEFORE TRANSFERS	602,364	905,746	977,545	1,348,522
TRANSFERS IN				
CITY SUPPORT - CAPITAL	219,980	250,000	270,546	154,546
CITY SUPPORT - TOBACCO TAX	<u>274,103</u>	<u>469,891</u>	<u>450,000</u>	<u>450,000</u>
TOTAL TRANSFERS IN	494,082	719,891	720,546	604,546
NET INCOME / (LOSS)	1,096,446	1,625,637	1,698,091	1,953,068

SITKA COMMUNITY HOSPITAL
FY 2013/2014 Budget
Cash Flow

NET OPERATING INCOME / (LOSS)	\$ 25,640
ADD BACK: DEPRECIATION	<u>\$ 1,052,087</u>
CASH FLOW FROM OPERATIONS	<u>\$ 1,077,727</u>
CITY CAPITAL SUPPORT	\$ 154,546
OTHER NON-PATIENT REVENUE	\$ 187,600
TAX ON TOBACCO PRODUCTS	\$ 450,000
DECREASE IN DEBT OBLIGATIONS TO CITY	<u>\$ (75,000)</u>
NET CASH AVAILABLE	<u><u>\$ 1,794,873</u></u>

SITKA COMMUNITY HOSPITAL
FY14 CAPITAL BUDGET

<u>DESCRIPTION</u>	<u>COST</u>
Surgical Lights for OR #2	\$26,430
Medical Pouch Heat Sealer	\$16,895
TOTAL #1	<u>\$43,325</u>
Hill Rom Bariatric ICU Bed	\$21,000
Remodel Nursing Station	\$45,000
Dermatone - Skin Graft Machine	\$13,470
X6-1 Matrix Upgrade to US Machine - Dr Pohlman	\$49,500
3-D Upgrade for US Machine - Dr. Pohlman	\$37,000
Full Size Convection Oven	\$6,765
Remodel Kitchen	\$250,000
Replace Emergency Generator	\$400,000
Pave Parking Lots	\$200,000
Carpet Replacement - Throughout the Facility	\$200,000
Replace Steam Boiler on Autoclave	\$9,500
Savin Copier	\$9,759
Copy Machine	\$16,000
TOTAL #2	<u>\$1,257,994</u>
Hill Rom VersaCare Med-Surg Bed	\$20,000
PYXIS Drug Delivery System	\$16,300
UVDI Ultraviolet Germicidal Technology for room disinfection	\$24,600
ENA Orientation Program Didactic Educational Foundation - training & competency	\$15,000
ERGO Patient Lift	\$5,000
ARJO Huntleigh Parker Tub	\$13,500
Stryker Neptune 2 - Fluid Waste Management System	\$32,560
Covidien/Valley Lab Force Triad Energy Platform - Cautery Unit	\$27,450
Replace Bio/Errand Van	\$25,000
TOTAL #3	<u>\$179,410</u>
ER Remodel	\$1,200,000
New Medical Office Building	\$750,000
Dry and Clean Up Old Basement + plus lift	\$75,000
TOTAL #4	<u>\$1,950,000</u>
Total Capital Equipment	<u><u>\$3,430,729</u></u>

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