



**Westchester
Medical Center**

Westchester Medical Center Health Network

2020 Operating Budget

November 6, 2019

WESTCHESTER COUNTY HEALTH CARE CORPORATION

Operating Budget – 2020

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WESTCHESTER COUNTY HEALTH CARE CORPORATION

EXECUTIVE SUMMARY

Overview

The projection for 2019 reflects an operating profit of \$5.0 million and the 2020 Budget presents an operating profit of \$5.2 million.

We continue to face many financial challenges including a significant reduction to Medicaid Disproportionate Share (DSH) reimbursement, continued stagnation or reductions in Medicare and Medicaid reimbursement at best flat.

These challenges were met with a thorough review of current and 2020 projected spending throughout the organization.

Efforts were taken to achieve a 2020 balanced strategic operating plan; to prepare the Medical Center for the potential continued reductions to the Medicaid DSH reimbursement; the conclusion of the DSRIP program currently scheduled for March 31, 2020; maintain our projected Cerner completion targets and still continue our clinical improvement objectives while expanding important clinical services. Regarding Medicaid DSH, Westchester Medical Center (WMC) is faced with the same challenge that took place during 2017, 2018 and 2019. The Centers for Medicare and Medicaid Services (CMS) has a reduction scheduled for DSH that can only be realistically restored by Congress during the budget process. We do not expect to have a final understanding until Quarter 1 2020.

Budget 2020

The budget presented herein includes the operations at the Valhalla and the MidHudson campuses. The operations of Bon Secours Charity Health System and HealthAlliance have been budgeted separately.

Budgeted Revenues and Expenses

The 2020 Budget continues to build on investments in new initiatives, particularly those designed around system integration, telemedicine expansion as well as clinical services in neurosciences, cardiology, cardiothoracic, general surgery, transplant services, trauma, orthopedics, pediatrics and primary care. Overall patient volumes have been discussed with clinical leadership, and overall expenses have been forecasted based on anticipated utilization and inflation factors.

Legacy Excess Costs

WMCHHealth continues to be obligated to incur costs beyond industry norms in the following areas:

- **New York State Pension Expense** – The pension expense for employees on the Valhalla campus who participate in the NYS pension plan is budgeted at \$36.1 million for 2020. This amount represents an assessment of approximately 8.0% of employee salaries (approximately \$20.9 million pension), as well excess pension costs of \$11.2 million and a Non-Cash NYS Pension Adjustment of \$4.0 million. The payroll assessment exceeds pension costs of comparable New York area medical centers where pension expense is approximately 8.0% of payroll. This excess pension expense for Medical Center employees amounts to 4.2% of payroll over comparable medical centers and is recorded as excess pension expense. The NYS Actuarial Pension Adjustment is the amount required to be recorded under Government Accounting Standards Board (GASB) pronouncement #68 and is determined based primarily on actual activity of the NYS Pension Plan compared to actuarially projected or assumed amounts.
- **Health Benefit Expense** – Health benefit expense is budgeted at \$109.1 million for 2020. This expense is based on recent medical expense trends. Included in the health benefit expense is \$17.1 million of health benefits for retired employees, a benefit generally no longer provided by most employers.

REVENUE

Revenue projections use 2019 as a base for patient volume, payor mix and case mix acuity adjusted for selective changes to patient volume.

OTHER OPERATING REVENUE

Significant components of other operating revenue are grant revenue from county, state and federal sources and various other sources such as reimbursement for interns and residents who rotate to other hospitals, rental income and licensing fees.

EXPENSES

Generally, expenses are budgeted to increase by 2.8% over 2019 projected levels based on overall inflation.

Fringe Benefit Costs

Overall fringe benefit costs are budgeted as follows:

- NYS pension plan costs amount to \$36.1 million comprised of 8.0% of payroll (\$20.9 million), excess pension costs (\$11.2 million) and NYS Pension Adjustment (\$4.0 million).
- Health benefit costs – Increase primarily due to healthcare cost trends for employees and retirees, including the impact of increased physicians and other staff, have resulted in benefit costs of \$106.0 million increasing by \$3.1 million to \$109.1 million in 2020.

Depreciation and Amortization

Depreciation and amortization has been calculated to be \$88.4 million in 2020.

Interest Expense

Interest expense is budgeted to be \$46.1 million in 2020 based on outstanding indebtedness.

COMMENTS ON STATEMENTS OF NET POSITION

Cash, Cash Equivalents and Investments – Cash, cash equivalents and investments at December 31, 2020 is expected to approximate \$320.0 million.

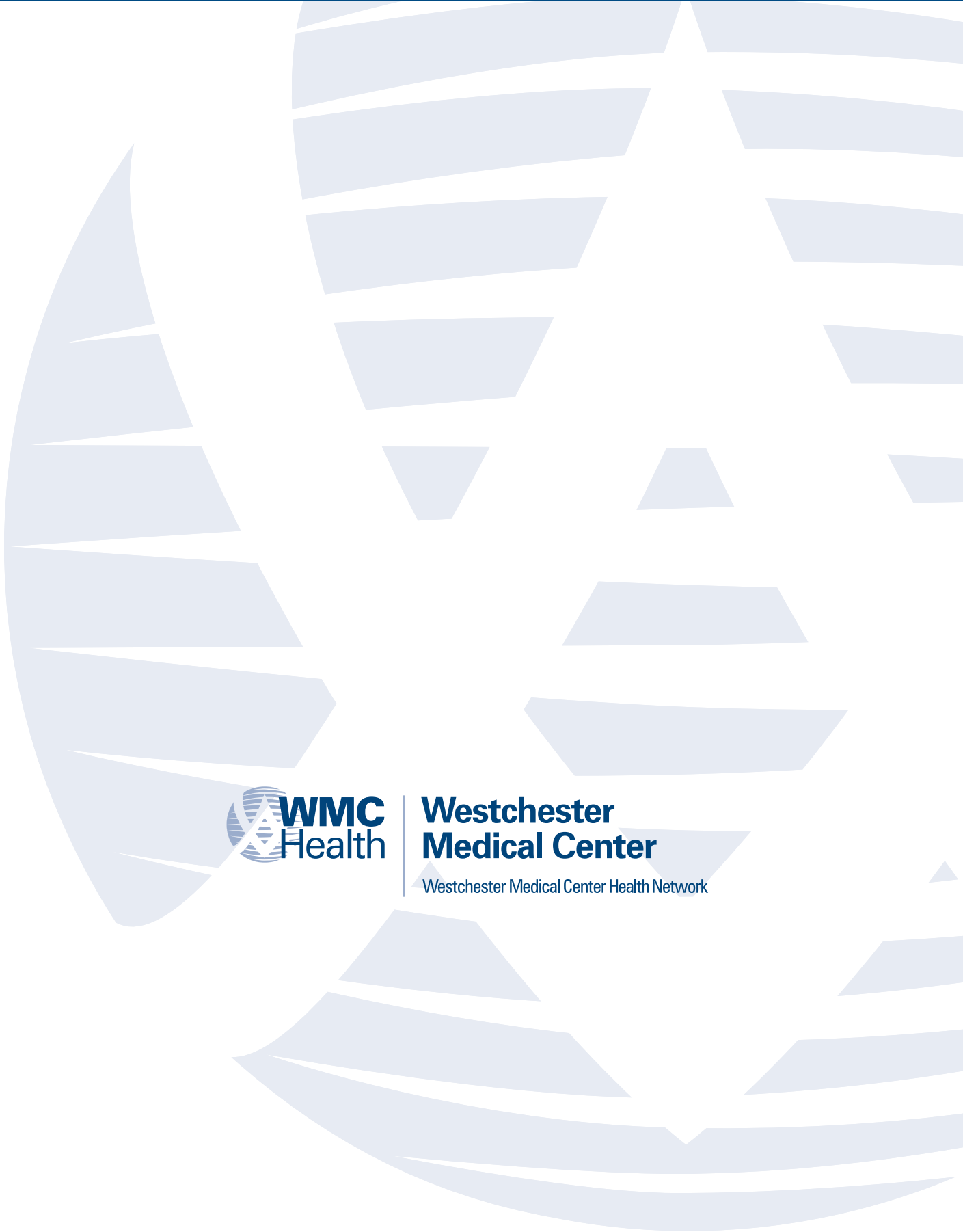
Patient Accounts Receivable, net – Patient Accounts Receivable at December 31, 2020 is expected to be \$205.9 million.

WESTCHESTER MEDICAL CENTER
STATEMENT OF OPERATIONS
OPERATING BUDGET FOR THE YEAR ENDING DECEMBER 31, 2020
(IN THOUSANDS)

	<u>2020 Budget</u>
Operating revenues:	
Net patient service revenue	\$ 1,459,196
Other operating revenue	92,432
Interest income	8,632
Total operating revenue	<u>1,560,260</u>
Operating expenses:	
Personal services	708,867
Fringe benefits	176,425
Supplies and other	502,941
Depreciation and amortization	88,373
Interest expense	46,149
Total operating expenses	<u>1,522,755</u>
Income from operations before excess fringe benefits	37,505
Excess pension costs	(11,190)
Excess post retirement health costs	(17,100)
NYS pension adjustment	(4,000)
Subtotal	<u>(32,290)</u>
Net income	<u><u>\$ 5,215</u></u>

**WESTCHESTER MEDICAL CENTER
STATEMENT OF NET POSITION
BUDGETED AT DECEMBER 31, 2020
(IN THOUSANDS)**

	Budget December 31, 2020
Assets	
Cash and cash equivalents	\$ 152,059
Investments	167,905
Total cash, cash equivalents and investments	319,964
Patient accounts receivable, net	205,878
Other current assets	88,493
Total current assets	614,335
Capital assets, net	818,650
Other assets, net	138,269
Total assets	\$ 1,571,254
 Deferred Outflows of Resources	
Pension, OPEB and bond related	\$ 57,497
 Liabilities	
Current portion of long-term debt	\$ 27,097
Accounts payable and accrued expenses	233,043
Accrued salaries and related benefits	82,270
Current portion of other liabilities	122,404
Total current liabilities	464,814
Long-term debt, net	668,295
Other liabilities, net	767,818
Total liabilities	\$ 1,900,927
 Deferred Inflows of Resources	
Pension and OPEB related	\$ 21,140
 Net Position	
Unrestricted	\$ (310,744)
Restricted	17,428
	\$ (293,316)



WMC
Health

**Westchester
Medical Center**

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