



**Westchester
Medical Center**

Westchester Medical Center Health Network

2021 Operating Budget

November 4, 2020

WESTCHESTER COUNTY HEALTH CARE CORPORATION

Operating Budget – 2021

Table of Contents

	<u>Page</u>
• Executive Summary	1
• Revenue and Expenses Budget 2021	2
• Comments on Statements of Net Position	2
• Statements of Operations	3
• Statements of Net Position	4

WESTCHESTER COUNTY HEALTH CARE CORPORATION

EXECUTIVE SUMMARY

Overview

The operating results for the year ended December 31, 2020 have been negatively impacted by COVID-19. The projection for 2020 before the Additional NYS Non-Cash Pension Adjustment of \$43.3 million reflects an operating loss of \$30.3 million. The projection for 2020 after the Additional NYS Non-Cash Pension Adjustment reflects an operating loss of \$73.6 million. The 2021 Strategic Operating Plan presents an operating profit of \$4.5 million.

We continue to face many financial challenges including COVID-19 readiness for potential surge and continued stagnation or reductions in Medicare and Medicaid reimbursement at best flat.

These challenges were met with a thorough review of current and 2021 projected spending throughout the organization.

Efforts were taken to achieve a 2021 balanced strategic operating plan; to prepare the Medical Center for the potential continued reductions to the Medicaid DSH reimbursement; 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 in previous years. 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.

Budgeted Revenues and Expenses

The 2021 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 \$35.0 million for 2021. This amount represents an assessment of approximately 8.0% of employee salaries (approximately \$20.6 million), as well NYS Pension Costs In Excess of Market of \$10.9 million and an Anticipated NYS Non-Cash Pension Adjustment of \$3.5 million. The Anticipated NYS Non-Cash 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.

The Additional Non-Cash Pension Adjustment of approximately \$43.3 million incurred in 2020 is not projected to continue in 2021. The Additional Non-Cash Pension Adjustment was attributable to the significant decline in the NYS Pension investments portfolio at March 31, 2020.

- **Health Benefit Expense** – Health benefit expense is budgeted at \$121.6 million for 2021. This expense is based on recent medical expense trends. Included in the health benefit expense is \$21.6 million of health benefits for retired employees, a benefit generally no longer provided by most employers.

REVENUE

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

OTHER OPERATING REVENUE

Primary components of other operating revenue are grant revenues.

EXPENSES

Generally, overall expenses are budgeted to increase by 4.5% over 2020 projected levels.

Fringe Benefit Costs

Overall fringe benefit costs are budgeted as follows:

- NYS pension plan costs amount to \$35.0 million including Anticipated NYS Non-Cash Pension Adjustment (\$3.5 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 \$110.3 million increasing by \$11.3 million to \$121.6 million in 2021.

Depreciation and Amortization

Depreciation and amortization has been calculated to be \$89.2 million in 2021.

Interest Expense

Interest expense is budgeted to be \$48.8 million in 2021 which is \$6.9 million more than 2020 primarily due the bond refinancing and line of credit.

COMMENTS ON STATEMENTS OF NET POSITION

Cash, Cash Equivalents and Investments – Cash, cash equivalents and investments at December 31, 2021 is expected to approximate \$368.6 million.

Patient Accounts Receivable, net – Patient Accounts Receivable at December 31, 2021 is expected to be \$163.3 million.

WESTCHESTER MEDICAL CENTER
STATEMENT OF OPERATIONS
OPERATING BUDGET FOR THE YEAR ENDING DECEMBER 31, 2021
(IN THOUSANDS)

	<u>2021 Budget</u>
Operating revenues:	
Net patient service revenue	\$ 1,556,200
Other operating revenue	75,559
Interest income	7,416
Total operating revenue	<u>1,639,175</u>
Operating expenses:	
Personal services	773,941
Fringe benefits	198,649
Supplies and other	488,029
Depreciation and amortization	89,204
Interest expense	48,836
Total operating expenses	<u>1,598,659</u>
Income from operations before excess fringe benefits	40,516
Pension costs in excess of market	(10,903)
Excess post retirement health costs	(21,630)
Anticipated NYS non-cash pension adjustment	(3,500)
Subtotal	<u>(36,033)</u>
Net income	<u><u>\$ 4,483</u></u>

**WESTCHESTER MEDICAL CENTER
STATEMENT OF NET POSITION
BUDGETED AT DECEMBER 31, 2021
(IN THOUSANDS)**

	Budget December 31, 2021
Assets	
Cash and cash equivalents	\$ 153,627
Investments	214,997
Total cash, cash equivalents and investments	368,624
Patient accounts receivable, net	163,258
Other current assets	171,108
Total current assets	702,990
Capital assets, net	798,701
Other assets, net	113,833
Total assets	\$ 1,615,524
 Deferred Outflows of Resources	
Pension, OPEB and bond related	\$ 195,502
 Liabilities	
Current portion of long-term debt	\$ 18,953
Accounts payable and accrued expenses	221,204
Accrued salaries and related benefits	88,783
Current portion of other liabilities	171,092
Total current liabilities	500,032
Long-term debt, net	752,273
Other liabilities, net	904,617
Total liabilities	\$ 2,156,922
 Deferred Inflows of Resources	
Pension and OPEB related	\$ 15,639
 Net Position	
Unrestricted	\$ (378,142)
Restricted	16,607
	\$ (361,535)