



**WMC
Health**

**Westchester
Medical Center**

Westchester Medical Center Health Network

2019 Operating Budget

December 5, 2018

WESTCHESTER COUNTY HEALTH CARE CORPORATION

Operating Budget – 2019

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WESTCHESTER COUNTY HEALTH CARE CORPORATION

EXECUTIVE SUMMARY

Overview

The projection for 2018 reflects an operating profit of \$4.9 million and the 2019 Budget presents an operating profit of \$4.6 million and stable cash balances.

We continue to face many financial challenges including continued stagnation or reductions in Medicare and Medicaid reimbursement at best flat.

These challenges were met with a thorough review of current and 2019 projected spending throughout the organization. This process avoided any reductions to bedside nursing care.

Over the past three and one-half years, WMC, formerly on one campus, has expanded to become WMCHHealth Network, currently serving more than 3.5 million people, primarily in the Hudson Valley with approximately 10,000 health care professionals. Revenues have more than doubled to \$2.2 billion annually. Currently, operations include 10 hospitals with 1,700 beds on 7 campuses, including trauma centers, community hospitals and the region's only children's hospital, dozens of specialized institutes and centers, homecare, assisted living and one of the largest mental health systems in New York – with our flagship Westchester Medical Center providing the most advanced care when the residents of the region need it most.

Budget 2019

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 2019 Budget continues to build on investments in new initiatives that will result in the growth of clinical volume. Overall patient volumes have been discussed with clinical leadership, and overall expenses have been forecasted based on anticipated utilization and inflation factors.

Expenses

Generally, expenses are budgeted to increase by 2.8% over 2018 projected levels based on overall inflation.

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 \$36.2 million for 2019. This amount represents an assessment of approximately 16.0% of employee salaries (approximately \$32.1 million pension), as well as a Non-Cash NYS Actuarial Pension Adjustment of \$4.1 million. The payroll assessment exceeds pension costs of comparable New York area medical centers where pension expense is approximately 7.0% of payroll. This excess pension expense for Medical Center employees amounts to 9.0% of payroll over comparable medical centers or \$18.9 million 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 \$99.7 million for 2019. This expense is based on recent medical expense trends. Included in the health benefit expense is \$17.0 million of health benefits for retired employees, a benefit generally no longer provided by most employers.

REVENUE

Revenue projections use 2018 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

Overall, expenses are budgeted to increase from 2018 projected levels.

Fringe Benefit Costs

Overall fringe benefit costs are budgeted as follows:

- NYS pension plan costs amount to \$36.2 million comprised of 16% of payroll and \$4.1 million in additional expense due to actual pension plan activity versus actuarially projected and assumed amounts, required under GASB 68.
- Health benefit costs – An increase in costs primarily due to healthcare cost trends for employees and retirees, including the impact of increased physician and other staff, have resulted in this benefit cost increasing to \$99.7 million in 2019.

Depreciation and Amortization

Depreciation and amortization has been calculated to be \$64.6 million in 2019.

Interest Expense

Interest expense is budgeted to be \$32.1 million in 2019 based on outstanding indebtedness.

COMMENTS ON STATEMENTS OF NET POSITION

Cash and Cash Equivalents – Cash and cash equivalents at December 31, 2019 is expected to approximate \$171.5 million.

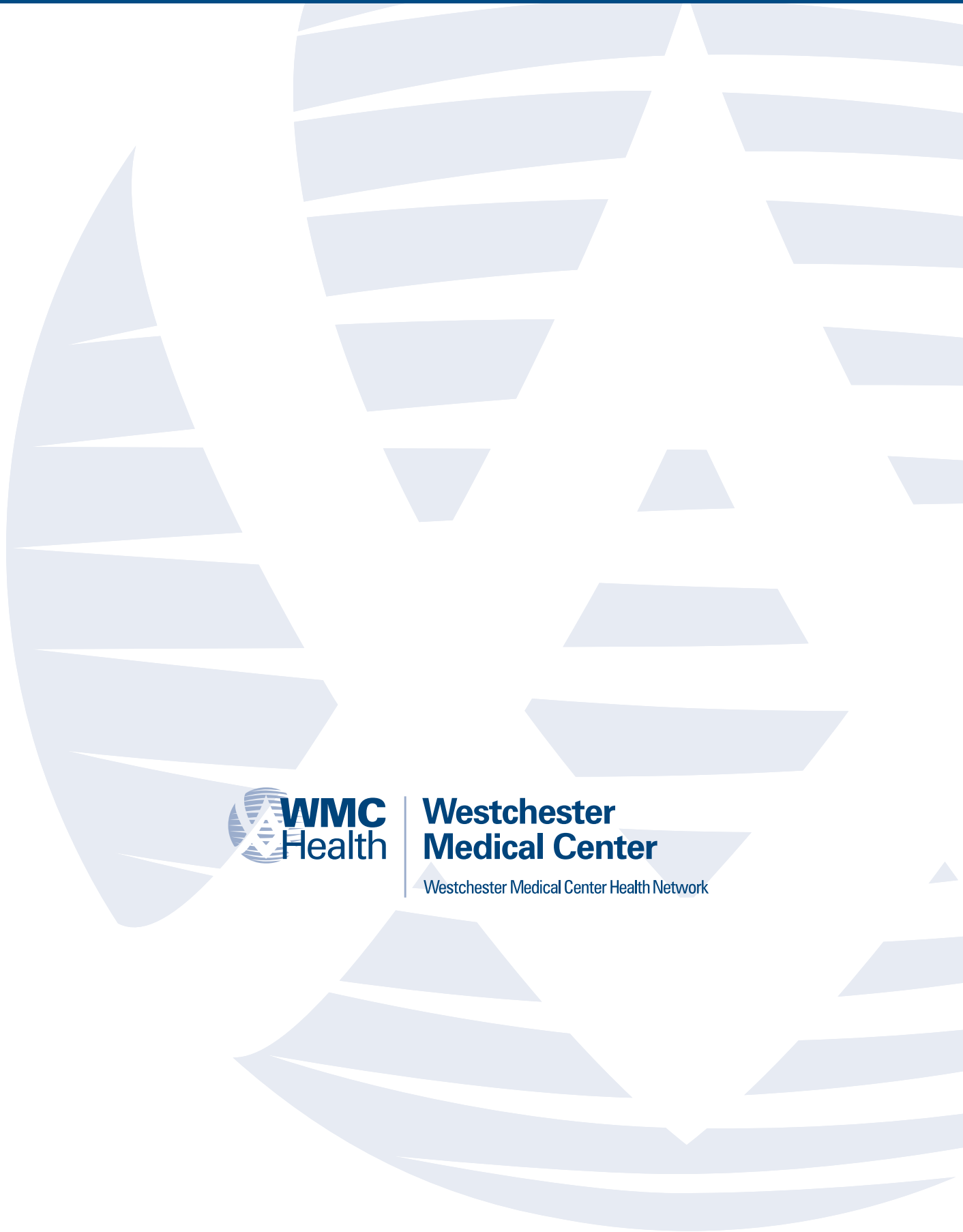
Patient Accounts Receivable, net – Patient Accounts Receivable at December 31, 2019 is expected to be \$168.8 million.

WESTCHESTER MEDICAL CENTER
STATEMENT OF OPERATIONS
OPERATING BUDGET FOR THE YEAR ENDING DECEMBER 31, 2019
(IN THOUSANDS)

	<u>2019 Budget</u>
Operating revenues:	
Net patient service revenue	\$ 1,378,540
Other operating revenue	104,716
Interest income	6,471
Total operating revenue	<u>1,489,727</u>
Operating expenses:	
Personal services	693,629
Fringe benefits	159,718
Supplies and other	495,156
Depreciation and amortization	64,648
Interest expense	32,096
Total operating expenses	<u>1,445,247</u>
Income from operations before excess fringe benefits	44,480
Excess pension cost	(18,866)
Excess post retirement health	(16,998)
NYS pension adjustment	(4,055)
Subtotal	<u>(39,919)</u>
Net income	<u><u>\$ 4,561</u></u>

**WESTCHESTER MEDICAL CENTER
STATEMENT OF NET POSITION
BUDGETED AT DECEMBER 31, 2019
(IN THOUSANDS)**

	Budget December 31, 2019
Assets	
Cash and cash equivalents	\$ 171,475
Investments	151,172
Patient accounts receivable, net	168,799
Other current assets	102,322
Total current assets	593,768
Capital assets, net	663,800
Other assets, net	32,419
Total assets	\$ 1,289,987
 Deferred Outflows of Resources	
Pension, OPEB and bond related	\$ 73,476
 Liabilities	
Current portion of long-term debt	\$ 22,378
Accounts payable and accrued expenses	162,802
Accrued salaries and related benefits	81,215
Current portion of other liabilities	73,655
Total current liabilities	340,050
Long-term debt, net	682,851
Other liabilities, net	623,233
Total liabilities	\$ 1,646,134
 Deferred Inflows of Resources	
Pension and OPEB related	\$ 16,124
 Net Position	
Unrestricted	\$ (313,090)
Restricted	14,295
	\$ (298,795)



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