

Agenda

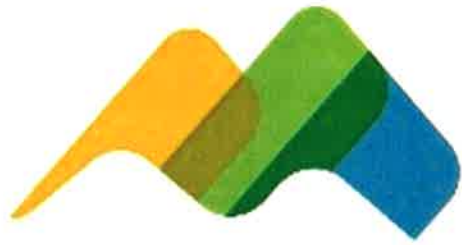
Estes Park Health Finance Subcommittee Meeting Agenda via Microsoft Teams

Monday, December 6, 2021

4:00 - 4:55 pm

Estes Park Health, 555 Prospect Avenue, Estes Park CO 80517

Regular Session		Mins.	Procedure	Presenter(s)
1	Call to Order and Welcome	1	Action	Dr Steve Alper
2	Approval of the Agenda	1	Action	Dr Steve Alper
3	Public Comments on Items Not on the Agenda		Information	Public
4	January - December 2022 Budget Review	50	Information	Board
5	Adjourn	1	Action	Board
Estimated Total Regular Session Mins.		53		



ESTES PARK HEALTH

**Fiscal Year 2022
January 1, 2022 – December 31, 2022
Operating and Capital Budget**

**Board Finance Committee Meeting
December 6, 2021
4 – 5 PM**

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Estes Park Health (EPH) – Executive Summary
Operational and Capital Budget
Fiscal Year 2022
January 1, 2022 – December 31, 2022

The health care environment surrounding Covid – 19 at the national, state, and local level remains challenging and is expected to challenge the resources of EPH during the next year.

The proposed Fiscal Year 2022 Operating and Capital Budget for Estes Park Health demonstrates its dedication to taking care of people and improving the quality of care for people in the Estes Valley service area. This document contains the goals, assumptions, as well as a summary financial model outlining EPH's estimated financial performance for FY 2022.

EPH anticipates that the number of individuals who receive patient care will remain similar to FY 2021. Based upon the assumptions regarding revenue and service projections, EPH will navigate toward a decrease in net assets of (\$625,289) which represents an operating margin of (1.19%) for FY 2022.

A FY 2022 capital budget outlining the potential of \$3.2 MM in capital spending has been compiled and is included for review. EPH has committed to the purchase and installation of a new Magnetic Resonance Imaging Unit (MRI). The MRI install is scheduled for second quarter of FY 2022. Other capital items will be purchased, as needed, for patient safety purposes.

A Brief Look at Fiscal Year 2021

Two major events occurred during the past year that significantly impacted Estes Park Health finances. Covid-19 caused operational, human resource and fiscal challenges. Additionally, the Cameron Peak and East Troublesome fires caused EPH to evacuate and transfer all patient care activities to other health care entities. Although EPH reopened prior to the start of FY 2021, the recovery efforts due to the wildland fire extended well into FY 2021 with some business interruption issues not yet resolved.

Despite these major and highly unusual challenges, EPH managed its overall organizational expenses to approximately 1% of total projected expenses. In short, EPH controlled what it could in a very uncertain operating environment.

Activities and Initiatives Targeted for Achievement in Fiscal Year 2022

Estes Park Health has developed the Fiscal Year 2022 (FY 2022) budget based on the notion of “*take care of people.*” Throughout FY 2022, budget resources will be deployed to drive the organization to achieve the following items:

- 1. Pursuit of Quality.** Estes Park Health is committed to improving patient outcomes. Additionally, EPH will provide patients safe and person-centered care. EPH will challenge improvement of patient outcomes through quality measurement, continuous quality improvement (QI) and adoption of best practices. Critical to shaping and accelerating EPH’s pursuit of quality efforts are DNV (a quality accrediting organization) and the Centers for Medicare & Medicaid Services’ (CMS) via its specified Conditions of Participation (CoPs). Listed below are four of the major items that EPH will work on in FY 2022:
 - a. Continue to develop of EPH’s quality improvement programming and the deployment of appropriate resources to improve quality of care.
 - b. EPH will continue its endeavor to improve community health through population health programs and population health management. Population health management refers to the process of improving clinical health outcomes of a defined group of individuals through improved care coordination and patient engagement supported by appropriate financial and care models.
 - c. Deploy resources to navigate the vagaries of Covid – 19. For example, during the last year, EPH integrated multiple new policy, procedure, and techniques to care for people inflicted with Covid. Examples include swabbing clinic, streamlined urgent care, mAb process, remdesivir process, infection control practices, etc.
 - d. Implement solutions that improve patient relations and patient satisfaction.

- 2. Developing People Resources.** Recruitment and retention of all employees including licensed professionals presents challenges for rural community hospitals like Estes Park Health. The development and implementation of competitive wage and total compensation plans will be important to the EPH future state. Additionally, the shifting expectations of our work force will necessitate changes in EPH recruitment, retention, and educational programming. Key initiatives include:
 - a. Wage and compensation adjustments.
 - b. Employee education opportunities.
 - c. Employee performance management initiatives.

3. **Information Technology Improves Patient Outcomes.** Increasing expectations exist with patients, providers, and families to use information systems and technology as a tool to effectively manage care and improve care quality in an integrated, clinically driven system of care. EPH will:
 - a. Invest resources in training to maximize EPIC medical record to aide physicians and all staff in caring for patients.

4. **Fiscal Health.** Via operational expense elimination and revenue stream addition, EPH will engage key organizational stakeholders in the development and implementation of operational plans that will enable EPH to move *toward a break-even operating margin*. To achieve this goal EPH will:
 - a. Implement solutions to reduce overall organizational expenses.
 - b. Evaluate EPH partnerships to improve organizational quality and reduce cost.
 - c. Complete and implement findings generated via a chargemaster review.
 - d. Examine hospital service lines for efficiency and effectiveness and implement plans to improve the organizations operations.
 - e. Complete a Medical Staff Development Plan to analyze potential for new revenue stream opportunities.

Estes Park Health FY 2022 Budget Assumptions

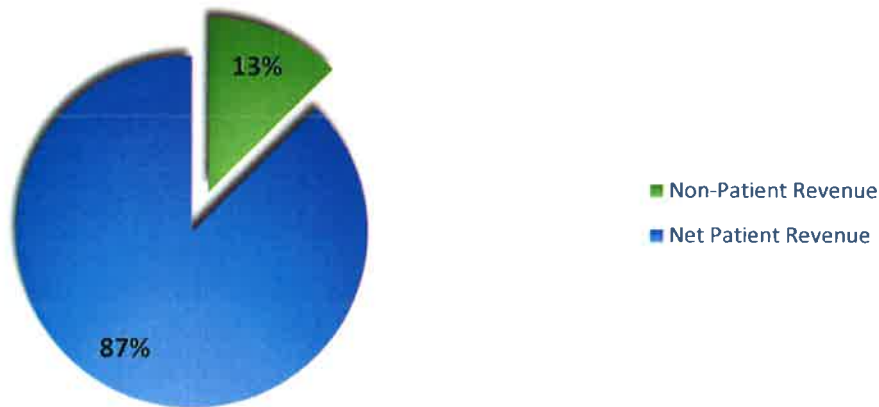
The FY 2022 operational budget has been modeled and forecasted using these important assumptions:

- a. The 2022 budget is developed considering local and national trends, especially the ongoing COVID-19 and related variants pandemic. The last two years established new “normal” in both years and which we expect to be replicated in 2022.
- b. New this year is the accountability of Department Directors and the Senior Leaders Team in producing their department’s budget.
- c. Most patient volumes are budgeted at the same approximate levels as projected 2021 levels.
- d. Increase average charges for Hospital services by approximately 6% and Clinic services by approximately 4%. **(There were no charge increases in 2021.)**
- e. Employment of a Radiologist (effective 04.01.22) and Podiatrist (effective 05.01.22), along with their related revenue and expenses.
- f. Employment of the Hospitalists as opposed to contracting for their services. Also included their professional services fees as revenue.
- g. Contractuals, bad debts and uncompensated care adjustments of 45.25% (43.50% for contractuals and 1.75% for bad debts and uncompensated care). These are slight increases over the 2021 experience. We continue to look for ways to legally maximize revenue and therefore decrease contractual allowances. We’re in the initial phase of hiring a consultant to review our chargemaster and cost report which should have a positive impact in reducing contractual allowances. Finally, as reported at Board meetings, our Patient Financial Services (business office) team does a phenomenal job of timely collection which increases cash flow and helps hold down bad debts and uncompensated care.
- h. Maintain overall salary expense consistent with market value and maintaining compensation levels for merit increases. Budgeted two salary increases in 2022 (3% on 05.01.22 and an additional 2% on 10.01.22) which are equivalent to a 2.5% increase for the entire year. We’re currently working with a consultant on a productivity study.

- i. Employee benefits will increase primarily due to salary increases and new employees (Radiologist, Podiatrist and Hospitalists). However, health insurance is relatively stable (very unusual in today's environment).
- j. Contract labor continues to be a major challenge!! Finding qualified employees is a significant challenge for us and other sectors of the economy. Therefore, we often need to turn to expensive contract labor to fill our staffing needs as we furnish quality patient care.
- k. Even with better purchasing contracts, we're still experiencing increased supply cost due to the continued need for COVID supplies and supply chain shortages.
- l. Mill levy of 7.505 yields budgeted net tax revenues of \$3,499,500.
- m. We'll aggressively pursue any local, state, or federal funding to reimburse the Hospital for COVID-19 expenses. Included is Phase 4 Provider Relief Funds of \$2,750,000 which we're confident we'll be able to justify that we've spent or will spend on COVID-19 expenses.
- n. Acquire, only where absolutely necessary, new capital equipment including radiology equipment, IT equipment, clinic equipment, lab equipment, plant equipment, rehab equipment, EMS equipment, med/surg equipment and various other smaller items. We have committed to purchase the Board approved new MRI which is scheduled to be installed in the second quarter of 2022.

EPH Revenue Graph #1

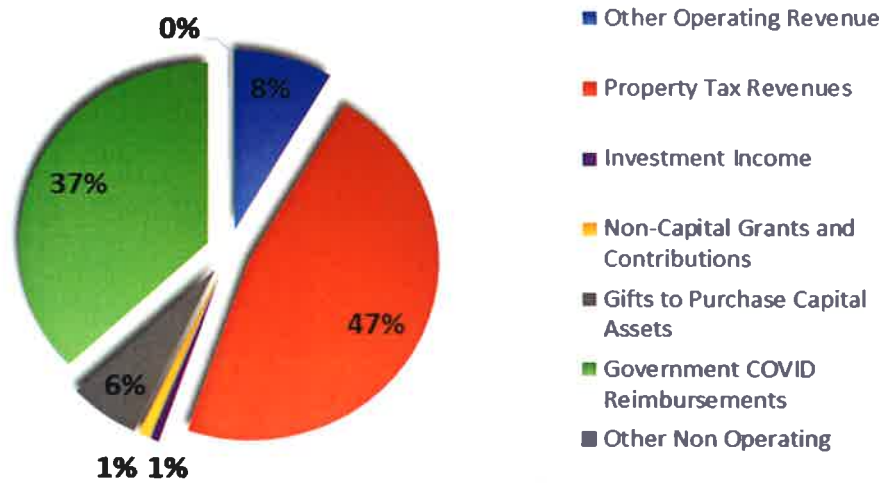
FY 2022 Budgeted Revenue



The total Estes Park Health revenue budget for FY 2022 is estimated to be \$95 MM. EPH anticipates a contractual discount rate of approximately 45.25 percent. The net revenue for FY 2022 will approximate \$52 MM. The \$52 MM in net revenue is approximately 9.47 percent greater than the projected FY 21 total of \$47.5 MM. The growth in net revenue modeled in FY 2022 budget is the result of employing hospitalists, a radiologist, and a podiatrist. These hires represent new revenue to EPH. EPH also modeled an increase in inpatient census and revenue. These increases have been facilitated by Covid – 19 and lack of bed availability down valley. Finally, some of the increase in revenue is attributed to charge increases of approximately 6% for Hospital services and approximately 4% for Clinic services.

EPH Revenue Graph #2

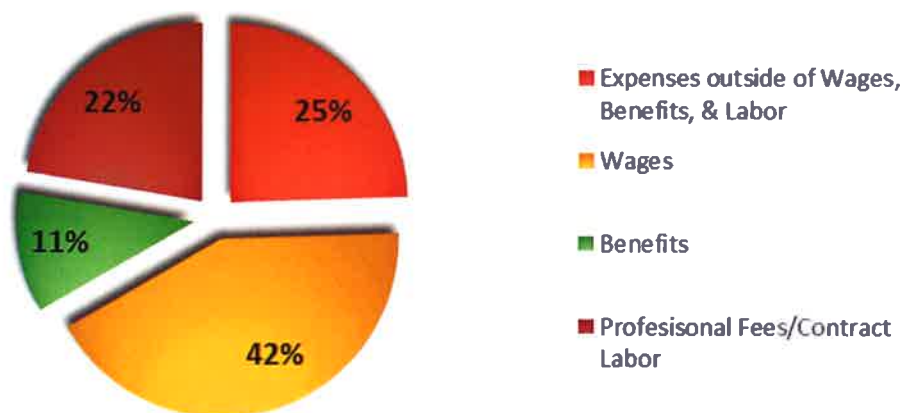
FY 2022 Budgeted Non-Patient Revenue



47 percent of the FY 2022 budgeted non-patient revenue is funded via a tax levy of 7.505 mills which is projected to generate approximately \$3.5 MM in FY 2022. Another large slice of non-patient revenue is Government COVID Reimbursements. This represents 37 percent of non-patient revenue or about \$2.7 MM in FY 2022. The combination of property tax revenues and government COVID reimbursements represent 84 percent of the non-patient revenue.

Expense Chart #1

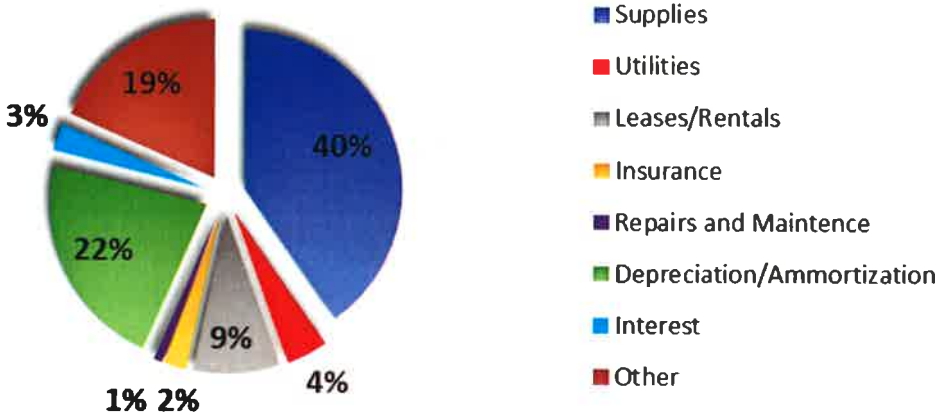
FY 2022 Budgeted Expenses



Expense Chart #1 depicts all Estes Park Health FY 2022 budgeted expenses broken into categories.

Expense Chart #2

FY 2022 Budgeted Expenses Excluding Wages, Benefits, and Labor



Expense Chart #2 is a graphical depiction of all Estes Park Health FY 2022 budgeted expenses less wages, benefits, and labor.

Uncertainties & Expense Challenges FY 2022

Total Estes Park Health operating expense is projected to increase by 9.35 percent or \$5.1 MM, from \$54.5 MM estimated in FY 2021, to \$59.7 MM in FY 2022.

Primarily, three items contributed to the 9.35 percent change in total operating expense illustrated via fiscal modeling:

1. Wages are expected to change in FY 2022 by approximately 8.11 percent, or approximately \$1.9 MM in FY 2022 to a total of \$25.4 MM. EPH has accounted for two salary increases in 2022 (3% on 05.01.22 and an additional 2% on 10.01.22) which are equivalent to a 2.5% increase for the entire year.
2. Supplies are estimated to change in FY 2022 by approximately 8.66 percent, or approximately \$468K in FY 2022 to a total of \$5.9 MM.
3. Contract Labor will likely change in FY 2022 by an estimated 15.65 percent, or \$1.9 MM which represents \$13.4 MM total expenditure in professional fees and contract labor.

Perhaps the most important idea to be gleaned from the change in these expenses is that this trend of expense increase is not sustainable by the organization. Estes Park Health will during FY 2022 examine expenses for reduction and examine opportunities for “new” revenue growth.

FY 2022 Capital Expenditures

The Capital Budget outlined for FY 2022 contains \$3.2 MM in *potential* expenditures. Estes Park Health has committed to the purchase of a Magnetic Resonance Imaging Unit (MRI). The MRI install is scheduled for second quarter of FY 2022.

Additionally, EPH is continuously assessing its facilities, equipment, and technology to determine the priorities for replacement, repair, and any new acquisitions. The assessment and prioritization methodology addresses patient safety, building safety and code compliance requirements, planned equipment obsolescence, and new technology. The process of determining capital allocation is a very involved process. However, during operations next year, capital purchases will be evaluated on an individual basis and purchase will be determined by EPH cash flow, cash availability, patient volumes and patient safety needs.

Conclusion

Together, the Fiscal Year 2022 Operating Budget and the Fiscal Year 2022 Capital Budget represent Estes Park Health's commitment to take care of people, patient safety and advancement of the health status of the citizens of the Estes Valley. The costs of navigating the Covid – 19 environment, the increasing costs of labor, labor shortages, and inflationary costs in supplies will create a challenging operating environment in FY 2022.

Draft operating Budget FY 2022

ESTES PARK HEALTH DRAFT OPERATING BUDGET 2022

	APPROVED 2021 BUDGET	2021 PROJECTED	2022 BUDGET	DRAFT 2022 to PROJ 2021
PATIENT REVENUE				
Inpatient Revenue	14,442,457	10,410,254	12,647,532	\$ 2,237,278
Outpatient Revenue	72,543,230	76,782,655	82,378,529	5,595,874
Living Center Revenue				-
Clinic Revenue				-
TOTAL PATIENT REVENUE	86,985,687	87,192,909	\$ 95,026,061	7,833,152
Less: Contractual Adjustments	(36,533,988)	(37,822,132)	(41,336,337)	(3,514,205)
Less: Bad Debt	(1,304,786)	(1,855,054)	(1,662,956)	192,098
Contractual Adjustments	(37,838,774)	(39,677,186)	(42,999,293)	(3,322,107)
	-43.5%	-45.5%	-45.5%	
NET PATIENT REVENUE	49,146,913	47,515,723	52,026,768	4,511,045
Other	469,650	655,682	629,500	(26,182)
		54.5%	54.8%	
TOTAL OPERATING REVENUE	\$ 49,616,563	\$ 48,171,405	\$ 52,656,268	\$ 4,484,863
EXPENSES				
Wages	24,060,549	23,462,947	25,401,874	1,938,927
Benefits	6,878,585	6,162,319	6,543,320	381,001
Professional Fees/Contract Labor	9,465,295	11,564,358	13,456,966	1,892,608
Supplies	5,678,297	5,450,544	5,919,228	468,684
Utilities	591,550	626,840	622,257	(4,583)
Leases/Rentals	1,125,968	1,094,658	1,317,262	222,604
Insurance	311,442	344,347	343,865	(482)
Repairs & Maintenance	174,257	118,894	129,900	11,006
Depreciation/Amortication	3,147,937	3,203,966	3,261,108	57,142
Other	2,355,344	2,524,573	2,715,681	191,108
TOTAL OPERATING EXPENSES	\$53,789,224	\$54,553,446	\$59,711,461	5,158,015
OPERATING INCOME (LOSS)	(4,172,661)	(6,382,041)	(7,055,192)	(673,151)
Property Tax Revenues	3,137,600	3,137,599	3,499,500	361,901
Interest Expense	(396,000)	(414,524)	(402,597)	11,927
Investment Income	88,500	43,131	55,500	12,369
Gain on Disposal of Capital Assets	(10,000)	(10,000)	-	10,000
Noncapital Grants and Contributions	100,000	74,735	75,000	265
Other Net Non Operating	2,500	11,228,041	2,752,500	(8,475,541)
Total Non-Operating	2,922,600	14,058,982	5,979,903	(8,079,079)
EXCESS REVENUES/EXPENSES	(1,250,061)	7,676,941	(1,075,289)	(8,752,230)
Gifts to Purchase Capital Assets	300,000	255,888	450,000	194,112
INCREASE (DECREASE) IN NET ASSET	\$ (950,061)	\$ 7,932,830	\$ (625,289)	\$ (8,558,119)
			-1.19%	
EBITDA	\$ 2,593,876	\$ 11,551,320	\$ 3,038,416	
<i>Total Margin % INCREASE (DECREASE)</i>	<i>-1.91%</i>	<i>16.47%</i>	<i>-1.19%</i>	

ESTES PARK HEALTH

Capital Budget Summary

Fiscal Year 2022 Proposed Capital Budget

January 1, 2021 – December 31, 2022

Category	FY 2022 Budget	Percent Capital
Facility Projects	\$ 641,000	19.71%
Information Technology	\$ 347,000	10.67%
Medical Equipment	\$ 2,056,000	63.21%
Other	\$ 8,500	0.26%
Contingency Capital	\$ 200,000	6.15%
Total Capital Expenditures FY 2022	\$ 3,252,500	

Estes Park Health
3 Year Detail Draft Capital Budget
Fiscal Years 2022, 2023, 2024 Projected Capital Expenditures

ESTES PARK HEALTH CAPITAL BUDGETS FOR YEARS ENDING 12.31

Department	Description	2022	2023	2024
Lab	BioFire Molecular blood culture	\$ 35,000		
Lab	Bactec microbiology upgrade	\$ 45,000		
Lab	Microscan upgrade	\$ 95,000		
Lab	New benchtops		\$ 100,000	
Radiology	MRI**	\$ 1,540,000		
Radiology	Dexa unit		\$ 180,000	
Radiology	Refurbished C-arm		\$ 130,000	
Radiology	Radiology and fluoroscopy room			\$ 375,000
Plant	Radiology and lab HVAC	\$ 300,000		
Plant	Parking lot topcoat	\$ 85,000		
Plant	Speciality clinic automated doors	\$ 16,000		
Plant	Duress alarm system replacement	\$ 90,000		
Plant	Pickup with snow plow	\$ 60,000		
Plant	Bobcat		\$ 25,000	
Plant	Upgrade 200kw generator		\$ 45,000	
Plant	Fire alarm auto readout		\$ 45,000	
Plant	Automated OR doors		\$ 63,000	
Plant	Hot water system			\$ 270,000
IT	Parallel storage mirrored	\$ 165,000		
IT	Network component replacements	\$ 70,000	\$ 120,000	\$ 125,000
Rehab	Total gym power tower	\$ 7,000		
Rehab	Biodex balance system	\$ 13,000		
Rehab	Lite gait	\$ 17,000		
Rehab	Eliptical		\$ 5,000	
Dietary	Steam kettle with stand	\$ 8,500		
Dietary	Large ice machine		\$ 8,500	
Clinic	Ophthalmology upgrades		\$ 75,000	
Clinic	Ophthalmology equipment	\$ 20,000		
Clinic	Podiatry equipment	\$ 10,000		
Clinic	EKG Phillips		\$ 8,000	
Clinic	Hearing screening equipment	\$ 8,000		
Buildings	Four 2BR condos			\$ 1,000,000
Buildings	Office moves	\$ 80,000	\$ 80,000	
EMS	Three Stryker patient power cots	\$ 51,000		
EMS	Lucas CPR device	\$ 13,000		
EMS	Tempest cardiac monitor	\$ 20,000		
EMS	Type III ambulance		\$ 275,000	
EMS	Stryker patient power load system		\$ 30,000	
EMS	Type I transfer ambulance			\$ 175,000
Med/surg	10 beds	\$ 110,000		
Med/surg	ACLS mannequin	\$ 16,000		
Med/surg	PALS mannequin	\$ 16,000		
Med/surg	Alarm notification system	\$ 112,000		
Med/surg	OBIX fetal monitoring system		\$ 45,000	
Med/surg	Labor bed		\$ 20,000	
Med/surg	Replace PFT machine		\$ 30,000	
Med/surg	Labor bed			\$ 20,000
Med/surg	Replace nurse call light system			\$ 750,000
Med/surg	Replace two warmers			\$ 20,000
ED	Stryker OB/GYN stretcher	\$ 10,000		
ED	2 Stryker stretchers	\$ 30,000		
ED	Exam room ligh replacements (3)	\$ 10,000		
ED	2 Stryker stretchers		\$ 30,000	
ED	Exam room ligh replacements (3)		\$ 10,000	
ED	Stryker ED stretcher			\$ 15,000
ED	Trauma booms and light			\$ 150,000
HR	Applicant tracking and compensation system		\$ 110,000	
Various	Contingency/emergency items	\$ 200,000	\$ 300,000	\$ 400,000
TOTALS		\$ 3,252,500	\$ 1,734,500	\$ 3,300,000