

Washington Hospital Budget Estimate



FY 2025

DIRECTORS AND OFFICERS

WASHINGTON TOWNSHIP HEALTH CARE DISTRICT
2000 Mowry Avenue
Fremont, California 94538
(510) 797-1111

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WASHINGTON HOSPITAL

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MISSION STATEMENT

As the local Health Care District, our mission is to meet the health care needs of the District residents through medical services, education and research.

Within this scope, Washington Township Health Care District is committed to assuming the leadership role in improving and maintaining the health status of the residents by:

Identifying and assessing community health care needs.

Developing mechanisms to respond to the identified needs within the financial capabilities of the District.

Committing to a culture of patient safety and accountability.

Adopting identified best practices.

Providing access to high quality, cost-effective health services through an integrated delivery system.

Partnering with a diverse medical staff, academic medical centers and other providers to meet the health care needs of the District residents.

Providing appropriate employee, professional and community educational resources to enhance patient care and health promotion throughout the District.

To support the fulfillment of the mission, the District's strategic vision is to be the regional medical center of Southern Alameda County offering services that span the full range of care within the available financial resources.

Resolved by the Board of Directors
Washington Township Health Care District
April 22, 2020

**WASHINGTON HOSPITAL
BUDGET ESTIMATE**

(In thousands)

I.	<u>REVENUE</u>		\$649,607
	A. <u>Net Operating Revenue</u>		\$621,752
	Patient Revenue	\$2,640,859	
	Less: Contractual Allowances and Provisions	2,036,103	
	Net Patient Revenue	604,757	
	Other Operating Revenue	16,995	
	B. <u>Net Non-Operating Revenue</u>		\$27,857
	Investment Income	\$6,917	
	Rental Income, Net of Amortization	941	
	General Obligation Bond Property Tax Revenue	16,476	
	Foundation Donation	3,521	
II.	<u>EXPENDITURES</u>		\$649,607
	A. <u>Operating Expenditures</u>		\$617,633
	Salaries, Wages & Benefits	\$385,776	
	Supplies & Services	181,199	
	Insurance	4,052	
	Utilities	7,838	
	Reserves - Depreciation	38,768	
	B. <u>Non-Operating Expenditures</u>		\$31,974
	Plant & Equipment	\$38,349	
	General Obligation Bond Debt Service	19,577	
	Revenue Bond Debt Service	15,665	
	Funding of Affiliate Operations, Net	27,854	
	Reserves - Capital & Operations	(69,472)	

INCOME STATEMENT

<i>(In thousands)</i>	Projected* FYE 2024	Budget FY 2025	Change	Percent Change
Patient Revenue				
Inpatient	\$ 1,385,780	\$ 1,555,804	\$ 170,024	12.3%
Outpatient	1,026,850	1,085,055	58,205	5.7%
Total Patient Revenue	\$ 2,412,631	\$ 2,640,859	\$ 228,229	9.5%
Contractual Allowances	(1,812,536)	(1,987,622)	(175,086)	-9.7%
Provisions for Charity and Doubtful Accounts	(43,553)	(48,481)	(4,928)	-11.3%
Total Contractual Allowances and Provisions for Charity and Doubtful Accounts	(1,856,089)	(2,036,103)	(180,014)	-9.7%
Contractual Allowances as a % of Revenue	75.1%	75.3%		
Provision for Charity and Doubtful Accounts as a % of Revenue	1.8%	1.8%		
Net Patient Revenue	\$ 556,542	\$ 604,757	\$ 48,215	8.7%
Other Operating Revenue	11,514	16,995	5,481	47.6%
Net Operating Revenue	\$ 568,056	\$ 621,752	\$ 53,696	9.5%
Operating Expenses				
Salaries	270,802	290,731	(19,929)	-7.4%
Benefits	91,373	95,045	(3,673)	-4.0%
Professional Fees	44,810	50,385	(5,575)	-12.4%
Supplies	74,983	84,250	(9,267)	-12.4%
Purchased Services	28,229	31,062	(2,834)	-10.0%
Utilities	6,398	7,838	(1,440)	-22.5%
Insurance	4,035	4,052	(16)	-0.4%
Marketing & Advertising	427	1,408	(982)	-230.2%
Software Licenses & Maintenance	7,405	8,458	(1,053)	-14.2%
Other Expenses	2,803	5,636	(2,833)	-101.1%
Depreciation	39,350	38,768	582	1.5%
Total Operating Expenses	\$ 570,614	\$ 617,633	\$ (47,019)	-8.2%
Income from Operations	\$ (2,558)	\$ 4,119	\$ 6,677	261.0%
Operating Margin	-0.5%	0.7%		
Net Non-Operating Income & Expense				
Investment Income	8,141	6,917	(1,224)	-15.0%
General Obligation Bond Property Tax Revenue	16,656	16,476	(180)	-1.1%
Interest Expense	(21,355)	(19,796)	1,558	7.3%
Rental Income, Net	937	941	5	0.5%
Bond Issuance Cost	(2,567)	-	2,567	100.0%
Realized Gain/(Loss) on Investments	3,308	2,507	(802)	-24.2%
Unrealized Gain/(Loss) on Investments	-	-	-	-
Foundation Donation	8,121	3,521	(4,600)	-56.6%
Federal Subsidies	2,700	2,110	(590)	-21.8%
Total Net Non-Operating Income & Expense	\$ 15,942	\$ 12,676	\$ (3,266)	-20.5%
Net Income	\$ 13,384	\$ 16,795	\$ 3,411	25.5%
Net Margin	2.4%	2.7%		
Net Loss of Affiliate Operations	\$ (26,518)	\$ (27,854)	\$ (1,336)	-5.0%
Total Net Income / (Loss)	\$ (13,134)	\$ (11,059)	\$ 2,075	15.8%

* Projected equals FYTD 2024 April Annualized



DATE: June 26, 2024

TO: Washington Township Health Care District Board of Directors

FROM: Kimberly Hartz, Chief Executive Officer

SUBJECT: Proposed Fiscal Year 2025 Budget Estimate for the Washington Township Health Care District

The Budget Estimate for Fiscal Year 2025 will be presented to the Board of Directors at the June 26, 2024 meeting. Upon approval by the Board of Directors, the Budget will constitute authority for the Chief Executive Officer to meet the financial obligations of the Washington Hospital Healthcare System within available funds, in accordance with the District's Mission Statement, applicable laws, regulations, procedures and precedents pertaining to the District.

The FY 2025 Budget for Washington Hospital provides for net operating revenue in the amount of \$621,751,510 and total operating expenses of \$617,632,756. This year, total depreciation is budgeted at \$38,767,537. As a result, we are projecting a net operating income of \$4,118,754. Capital spending requests are budgeted at \$38.3M. These capital requests will be funded with \$18M from bond proceeds and donations, as well as \$20M from the District's cash flow. In addition, the proposed FY 2025 Budget Estimate includes \$27,854,000 to fund operations of the Washington Township Hospital Development Corporation and Washington Township Medical Foundation. These two entities are integral to meeting our goal of continuing to improve the health of District residents.

The operational and financial challenges of the past few years, marked by the pandemic, prompted the System to re-evaluate our growth plans and embark on a "Road to Recovery." Starting in FY22, we focused on stabilizing and optimizing the operations of the organization, building the needed infrastructure, and recapturing patient volumes that had diminished during the height of the pandemic, as patients delayed accessing care. The System worked diligently in FY23 and FY24 towards these goals in spite of the economically challenged environment. Highlights from FY24 include our growth in Oncology resulting in an additional \$8M in net operating income and surpassing our \$10M fundraising goal set by the Washington Hospital Healthcare Foundation for our new Regional Cancer Center. We continued to make integral improvements in Revenue Cycle resulting in improved collection rates.

However, our biggest achievement in FY24 was the successful preparation and survey process to be the county's newest regional Trauma center. This could not have been done without the effort of all our WHHS staff and physicians. The hard work and dedication across multiple areas has ensured that as of July 1, 2024, we will be ready to take our first Trauma patients. Everyone worked tirelessly to complete education and drills, ensure we have the appropriate supplies and equipment and update needed policies and procedures. We are ready to provide the community with this much needed service with the upmost dedication to our Patient First Ethic. Our journey doesn't end on July 1st when we see our first patient. Trauma care is a continuous journey, one that requires ongoing commitment, dedication and improvement.

While we had wins and losses along our three-year Road to Recovery, we feel the organization is ready to move to a more forward-thinking outlook. For FY25, we will be transitioning to a Strategic Long Range Financial Plan (LRP). A LRP uses our three-to-five-year strategic plan and integrates this into our budget planning, cash management, and operational forecasts. This plan will detail out specific initiatives along with a robust pro forma and valuation, as well as an informed and decisive operational execution plan that moves us to a break-even consolidated net operating income. The LRP will include initiatives on Revenue Integrity, Operational and Labor Efficiencies, as well as Targeted Strategic Growth initiatives, while never losing sight of our Patient First Ethic. These efforts will require our staff, our physicians, and our management team to work closely and collaboratively in order to achieve results that are crucial to our viability, future success and sustainability.



Even as we work to achieve these operational improvements and meet the needs of our District and community today, we're also keeping our focus on the road ahead. We are taking steps to grow and expand the services our community will need tomorrow, by making the required investments today. We continue to focus on new growth and building scalable infrastructure to accommodate this growth in our strategic service lines.

In FY25, we're starting construction on the Regional Cancer & Infusion Center, as well as one of two planned Urgent Care Clinics, that will serve our population's emergent health needs while relieving the pressure on our Emergency Room. In addition, we will begin construction on the remaining space in Morris Hyman Critical Care Pavilion (our Infill Project) that will house key departments including the Operating Rooms, Imaging Center and Pharmacy. Phase 3 of the Facility Master Plan is in final design phase and will be ready to start construction in FY26. This will ensure that we meet the California Seismic requirements and provide state of the art facilities for the community. These and other capital initiatives are vital to maintaining the high level of care we provide to our community well into the future. We are extremely thankful to our community for supporting this next phase of our Facility Master Plan.

Along with our physical assets, we also continue to prioritize our people. We do this through Physician and staff recruitment and retention, to serve our community with the best talent available as we grow important clinical service lines. We continue to see strong growth in our cancer care services year over year. We have expanded our orthopedic service line and have partnered with our physicians to further expand into additional clinic space and outpatient surgery centers. Oncology, Orthopedics, Neurosciences, Cardiac, and Maternal Child Health continue to be key areas for the organization.

As we move into FY25, we'll continue to deal with a very challenging and difficult health care environment. Couple this with inflationary pressures creating significant escalation in our cost of labor, pharmaceuticals, and supplies.

Overall, the FY25 budget provides the resources necessary to sustain and further the clinical excellence we provide here at Washington Hospital Healthcare System. It also supports our institutional commitment to be your Provider of Choice for health services.

Maintaining our financial health is essential to caring for our community, investing in new technologies and services, and preparing for the future, including any unexpected emergency. We are confident that the hard work, resilience, and compassion shown by our staff and physicians each and every day, will ensure that even during uncertain and difficult times, the health care needs of our patients will be met and exceeded by their independent, and local community healthcare system.

Kimberly Hartz
Chief Executive Officer

PLANS AND PRIORITIES

The major strategic initiatives for Fiscal Year 2025 are:

- Drive Continuous Improvements in Quality and Safety
- Continue to implement Strategies in Utilization Management, Care Coordination, and Revenue Cycle
- Optimize Payer Contracting Reimbursement Rates
- Leverage Mission Critical Technology to Enhance Patient Experience, and reduce overall denials
- Continue appropriate Cost Savings Initiatives, including Labor Productivity, Vendor Consolidation, and Standardizing and Centralizing Operational Functions
- Implement next phase of our campaign to refresh the WHHS brand
- Retain focus to provide high quality patient care with the opening of the new Trauma center
- Strategic growth initiatives (including partnerships and joint venture agreements)
 - Cancer Care Services, Cath Lab, Cardiac and Neuro Programs, and Urgent Care
- Capital Investments in our future, including the Expansion of Patient Services (In-Fill Project) and relocating WTMF into the Fremont Office Center (FOC)

These priorities have been included in the budget.

SERVICE VOLUMES

Discharges for FY25 are budgeted to increase 13%, driven by anticipated growth due to Trauma designation.

Corresponding to the expected increase in discharges and partially offset by the expected decline in average length of stay, Patient Days are expected to increase 11%. The average length of stay is projected to decrease by 1.8%, due to ongoing care coordination and utilization management efforts.

Surgical cases overall are budgeted to increase by 20% driven primarily by Trauma. The anticipated growth is partially offset by the expected decline in joint replacement cases, which migrated to our existing and new outpatient surgery centers.

Total Cath Lab cases are budgeted to increase by 16%, driven by increases in cardiac and peripheral cases.

Outpatient visits continue to outperform the budget and will continue to grow. The anticipated growth is in imaging services and emergency room.

These changes are reflected in revenues, reimbursement and expenses in this Budget.

PATIENT REVENUES

Gross patient revenue is expected to increase 9.5% due to the volume increases as outlined above and to the new Trauma cases expected.

The contractual write-off and provision for doubtful accounts percentage is increasing to 77.1%

contractual adjusted rate mainly due to the run rate of government payors increasing over FY24 and anticipating that trend to continue into FY25 as well as being conservative in trauma reimbursement assumptions. However, initiatives in the revenue cycle will help offset some of the shift to government payors.

As a result, Net Patient Revenue is expected to increase by 8.7%.

OTHER OPERATING REVENUES

The 47.6% increase in other operating revenues is primarily driven by directed payment program, and payor rate changes.

OPERATING EXPENDITURES

Significant factors influencing the overall 8.2% increase in operating expenditures for the budget year are as follows:

- Salaries and Wages are expected to increase 7.4% due to wage inflation and increases in FTEs related to Trauma
- Employee Benefits are expected to increase 4.0% mostly driven by the increase in Salaries and Wages
- Professional fees are expected to increase 12.4% primarily due to market-based rate increases to recruit and retain physicians (especially in the area of Anesthesia) as well as cost related to the development of the Trauma program
- Supplies are expected to increase 12.4% due to increased volume related to Trauma and inflation especially in the pharmaceutical drug area
- Purchased Services are expected to increase 10% due to costs related to the Trauma program development, increase in security services, and an expected increase in recruitment fees
- Utilities are expected to increase 23% due mainly to inflation in energy cost
- Insurance is expected to remain relatively flat as premiums remain consistent
- Marketing & Advertising is expected to increase 230% as the System implements its re-branding efforts, as well as begins advertising related to the new Trauma Program
- Software Licenses & Maintenance is increasing 14.2% due to inflation and annual fees for the 70+ applications
- Depreciation is decreasing 1.5% as certain assets have been fully depreciated and GASB reclasses that occurred in FY24 impacted overall amount

NON-OPERATING INCOME

- Investment income is projected to decrease 15% given the volatility of the markets
- Rental income is estimated to remain flat
- As part of the District's continuing budget policy, realized and unrealized gains or losses on the investment portfolio are not budgeted due to the unpredictability of market performance
- General Obligation Bond Property Tax Revenue of \$16.5 million provides for the debt service requirements on our General Obligation Bonds for the year
- The Washington Hospital Healthcare Foundation (Charitable Foundation) is expected to provide \$3.5M in donations for various capital and operational needs of the hospital
- Interest Expense is expected to remain flat

AFFILIATE OPERATIONS

- The FY 2025 Budget Estimate includes support for Washington Township Medical Foundation (WTMF), DEVCO and our other affiliates' operations. This support will represent a projected Total Net Income loss of \$11.1M, which is approximately a \$2.1M improvement over projected FYE24.

VOLUMES

	Projected FYE 2024	Budget FY 2025	Change	Percent Change
Discharges	10,598	11,991	1,393	13.1%
Patient Days	57,589	63,911	6,322	11.0%
Average Daily Census (ADC)	157	175	18	11.3%
Outpatient Observation Days	3,994	4,873	880	22.0%
Average Length of Stay	5.4	5.3	(0.1)	-1.8%
Deliveries	1,502	1,531	29	1.9%
Surgical Cases	5,632	5,885	253	4.5%
Joint Replacement Cases	2,291	2,289	(2)	-0.1%
Cardiac Surgical Cases	138	151	13	9.4%
Neuro-Surgical Cases	309	347	38	12.3%
Endoscopy Cases	1,360	1,353	(7)	-0.5%
Other Surgical Cases	1,144	1,269	125	10.9%
Vascular Cases	390	476	86	22.1%
Cath Lab Cases	2,088	2,420	332	15.9%
Cardiac Cases	1,048	1,207	159	15.2%
Peripheral Vascular Cases	400	485	85	21.3%
Neuro-Radiology Cases	62	71	9	14.5%
Non-Vascular Cases	578	657	79	13.7%
Emergency Room Visits	60,376	65,163	4,787	7.9%
Trauma Cases	-	850	850	-
Outpatient Visits	103,187	107,049	3,862	3.7%

PERFORMANCE INDICATORS

	<u>Projected FYE 2024</u>	<u>Budget FY 2025</u>	<u>Percent Change</u>
<u>Productivity</u>			
Total Productive FTEs*	1,444.9	1,557.4	-7.8%
Non-Productive FTEs	213.9	204.5	4.4%
Total Paid FTEs	1,658.8	1,761.9	-6.2%
Paid FTEs/Adjusted Occupied Bed	6.06	5.93	2.1%
Productive FTEs/Adjusted Occupied Bed	5.27	5.24	0.7%
 <u>Financial Indicators</u>			
Contractual Allowances as a % of Revenue	75.1%	75.3%	
Provision for Charity & Doubtful Accounts as a % of Revenue	1.8%	1.8%	
Supplies/Net Patient Revenue %	13.5%	13.9%	
Operating Margin	-0.5%	0.7%	
Net Margin	2.4%	2.7%	

* Of the 1,557 Productive FTEs, 104 are due to Trauma Volume and will continue to flex based on actual Trauma cases.

HOSPITAL REVENUE

<i>(In thousands)</i>	Projected FYE 2024	Budget FY 2025
Patient Revenue:		
Inpatient	\$ 1,385,780	\$ 1,555,804
Outpatient	1,026,850	1,085,055
Total Goss Revenue	\$ 2,412,631	\$ 2,640,859
Contractual Allowances and Provisions:		
Contractual Allowances by Payors	(1,812,536)	(1,987,622)
Provision for Charity and Doubtful Accounts	(43,553)	(48,481)
Total Contractuals and Provisions for Charity and Doubtful Accounts	\$ (1,856,089)	\$ (2,036,103)
Net Patient Revenue	\$ 556,542	\$ 604,757
Other Operating Revenue	\$ 11,514	\$ 16,995
Total Operating Revenue	\$ 568,056	\$ 621,752
Total Net Patient Revenue as a Percent of Gross Revenue	23.1%	22.9%

OPERATING EXPENSES

<i>(In thousands)</i>	Projected FYE 2024	Budget FY 2025	Percent Change
Salaries	\$ 270,802	\$ 290,731	-7.4%
Benefits	91,373	95,045	-4.0%
Professional Fees	44,810	50,385	-12.4%
Supplies	74,983	84,250	-12.4%
Purchased Services	28,229	31,062	-10.0%
Utilities	6,398	7,838	-22.5%
Insurance	4,035	4,052	-0.4%
Marketing & Advertising	427	1,408	-230.2%
Software Licenses & Maintenance	7,405	8,458	-14.2%
Other Expenses	2,804	5,636	-101.0%
Depreciation	39,350	38,768	1.5%
Total Operating Expenses	\$ 570,615	\$ 617,633	-8.2%

NON-OPERATING INCOME & EXPENSE

<i>(In thousands)</i>	<u>Projected FYE 2024</u>	<u>Budget FY 2025</u>	<u>Percent Change</u>
Investment Income	\$ 8,141	\$ 6,917	-15.0%
General Obligation Bond Property Tax Revenue	16,656	16,476	-1.1%
Interest Expense	(21,355)	(19,796)	7.3%
Rental Income, Net	937	941	0.5%
Bond Issuance Cost	(2,567)	0	-100.0%
Foundation Donation	8,121	3,521	-56.6%
Federal Subsidies	<u>2,700</u>	<u>2,110</u>	<u>-21.8%</u>
Subtotal	\$ 12,634	\$ 10,169	-19.5%
Realized Gain/(Loss) on Investments *	3,308	2,507	24.2%
Unrealized Gain/(Loss) on Investments *	<u>0</u>	<u>-</u>	<u>-</u>
Total Net Non-Operating Income & Expense	<u>\$ 15,942</u>	<u>\$ 12,676</u>	<u>-20.5%</u>

* Washington Hospital does not budget for gains or losses on investments.

CAPITAL BUDGET

<i>(In thousands)</i>	Budget FY 2025
<u>Strategic Capital Projects</u>	
Warm Springs Buildout Phase 1	\$ 4,000
Phase 3 - Design, Permitting, & Construction - Hospital	3,000
Cancer and Infusion Center Redesign	8,000
Morris Hyman Critical Care Pavilion (MHCCP) Infill Project	7,000
Various Rental Property Tenant Improvements	3,000
Urgent Care Clinics	2,500
Enterprise ERP System	2,200
Total New Capital Request	\$ 29,700
<u>Routine Capital Equipment and Projects</u>	
Enterprise Storage Replacement	\$ 1,900
Stryker System 9 Power Equipment Upgrade (Trauma)	1,500
Alaris Pump and Server replacement per FDA Notice	1,168
Enterprise Backup System Replacement	502
Philips Volcano Ultrasounds	331
WHHS Equipment Refresh	275
Sonopet Replacement	65
GE NextGen LOGIQ ultrasound	63
Copiers	50
Gamma Probe Replacement	42
Alaris Server Support Space	42
Hillrom Labor Beds	42
Steris Surgical Tables	36
Transthoracic 3D cardiac ultrasound transducer for the OR	32
Telecom Refresh	20
Philips VS30 monitor	18
Viza Vue Modified Barium Swallow (MBS) Chair	17
EKG machine 15-lead	16
Chairs	12
Draeger Transcutaneous Bilimeter	9
Impulse 7000DP analyzer	9
Other Capital Projects	2,500
Total Routine Capital Equipment and Projects	\$ 8,649
Total Capital Spend	\$ 38,349