UCDMC Operating and Capital Budgets
FY 2015/2016

July 24, 2015
Medical Center 14-15 Major Accomplishments

- Second year to rank #1 in Sacramento and #6 in the State: US News and World Report: Medical Center Rankings (10 Adult specialties and 5 pediatric ranked in top 50)
- One of three California Medical Centers to maintain Level I Trauma designation for Adult and Pediatrics from American College of Surgeons
- Leapfrog “A” for quality; one of 60 hospitals to earn “Top Hospital Designations” Nationwide; one of only 12 hospitals in the U.S. and the only University of California medical center to receive the distinction for the past three years.
- Played a Statewide role in serving as an Ebola Center
- Managed 16% increase in Emergency Department visits because of Medi-Cal expansion
- Special $5M capital investment for Innovative equipment to impact operations
Medical Center Priorities

- Support the academic mission of the Schools of Health and the University.
- Focus on the patient experience in terms of satisfaction and quality outcomes.
- Be prepared at all times for licensing and accreditation surveys.
- Partner with payers and others to obtain fair reimbursement for patient care services.
- Improve efficiency to reduce costs while maintaining quality.
- Expand regional affiliations and primary care network to increase tertiary and quaternary admissions.
Medical Center Priorities (continued)

- Provide a safe and healing physical environment for all individuals being treated at, visiting or working at the medical center.
- Increase the value of care to patients by providing for evidence-based high quality, effective and efficient patient care.
- Recruit and retain a talented, diverse and well trained workforce that embraces the Principles of Community.
- Meet seismic requirements within allowed time-frames.
- Increase fundraising for capital projects
Budget Message

Strategy drives our budget objectives

- We will play a critical role in achieving university goals related to research, philanthropy, outreach and in building healthier communities
- We will maintain steady progress to improve financial viability, despite significant cuts in federal, state, and commercial reimbursement.

Adaptability will be key to success

- While many significant challenges lay ahead, we are accustomed to a dynamic and rapidly changing marketplace. With our extensive outpatient network, IT infrastructure, and quality improvement programs, we are in an excellent position to adapt to the changes that health care reform will bring.

Past performance has been strong

- Despite the many fiscal pressures and dramatic changes in the healthcare arena, the Medical Center continues to make progress on all fronts (e.g. strategic investments in infrastructure, people and facilities, financial stability).

Moving to Value Based Care

- Healthcare reimbursement models are moving from fee-for service to value-based purchasing; internal education, regional affiliations and greater coordination with UC are components of managing this successfully.
# UCDMC Value Construct

## Aligning Purpose with Value

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Mission</th>
<th>Improving lives and transforming health care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision</td>
<td>A healthier world through bold innovation</td>
<td></td>
</tr>
<tr>
<td>Guiding Principles</td>
<td>Excellence, Compassion, Leadership, Teamwork/Collaboration, Social Responsibility, Diversity</td>
<td></td>
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<tr>
<td>Strategies</td>
<td>Person- and family centered care, Social responsibility and leadership, Interprofessional education to shape the future, High-impact research, Excellence in people, Collaborative organizational culture, Sustainable resources, Strategic use of technology</td>
<td></td>
</tr>
<tr>
<td>Objectives/Goals</td>
<td>Improve Patient Experience, Improve Patient Safety, Strengthen Sustainability</td>
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## Value Construct

Service Excellence + Sustainable (Capability Development) = Performance Excellence (Continuous Process Improvement)
What is Value?

Value = \frac{\text{Quality (Outcomes + Safety + Service)}}{\text{Cost (For a span of care)}}

What is Value Stream Improvement (VSI)?

Improving patient experiences through value streams and simultaneously build the problem-solving capabilities of individuals working in those value steams.
Why is value important in healthcare?

More value for patients with better provider experience with less time, space, human effort, cost and waste of all sorts.

- To do the work that creates patient value in the best possible way
  - Best medical outcome
  - Best patient experience
  - Best provider experience
  - Lowest cost for a given episode of care

- Front-line providers standardize their work to make it repeatable
  - with outcomes as good as current medical knowledge permits every time

- Performance of the work in every value stream be visible to every participant
  - including patients

- Those doing the work continually improve it through DMAIC
  - with necessary technical support for staffs
UCD Medical Center Budget FY15-16

VSI Training

intranet.ucdmc.ucdavis.edu/pe/vsi_training

- Overview of Value Stream Improvement
- DMAIC Primer
- VSI Exercises and Group Work
- 1st stage of VSI Certification Process
UCDMC Budget Process

- Forecast Patient Volumes based on demographics, market share, technology shifts
- Forecast patient revenues based on payer contracts, gov’t reimbursement, changes in payment systems
- Forecast funding for supplemental state and federal funding for safety net services and Electronic Medical Record investments.
- Develop three-year capital budget (high level)
- Develop debt financing and debt-service budget
- Set operating margin targets
- Identify operating expense targets and establish specific initiatives to balance budget through expense management
UCDMC Facts and Figures

Medical Center Statistics

Fiscal Year Ending June 30, 2015

Licensed Beds 619
ER Visits 78,800
Clinic/Office Visits 925,922
Admissions 32,292
Staff 7,460

Outpatient % of Total Revenue 35%
UCDMC Facts and Figures

UCDMC Revenue Sources
Fiscal Year ending June 30, 2015*

Gross Revenue
- Commercial: 37%
- Medi-Cal: 30%
- Medicare: 33%
- Counties: 0%
- Self-Pay: 0%

Net Revenue
- Commercial: 60%
- Medi-Cal: 20%
- Medicare: 20%
- Counties: 0%
- Self-Pay: 0%

* FY15 Forecast
UCDMC Cost Challenges

UCDMC Budget FY15-16
UCDMC Revenue & Expense Trend
Includes unfunded pension expense

FY11 Actual FY12 Actual FY13 Actual FY14 FY15 Projected FY16 Budget

Salaries Benefits Supplies Purchased Services Depreciation Other Expenses Total Operating Revenue
## UCDMC Financial Statements
(stated in thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY15</th>
<th>FY16 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Patient Revenue</strong></td>
<td>1,559,516</td>
<td>1,670,929</td>
<td>1,739,168</td>
</tr>
<tr>
<td><strong>Other Operating Revenue</strong></td>
<td>26,142</td>
<td>29,932</td>
<td>34,728</td>
</tr>
<tr>
<td><strong>Total Operating Revenue</strong></td>
<td>1,585,658</td>
<td>1,700,861</td>
<td>1,773,896</td>
</tr>
<tr>
<td><strong>Salaries and Benefits</strong> **</td>
<td>946,177</td>
<td>973,904</td>
<td>1,048,732</td>
</tr>
<tr>
<td><strong>Supplies</strong></td>
<td>256,614</td>
<td>298,931</td>
<td>305,556</td>
</tr>
<tr>
<td><strong>Purchased Services</strong></td>
<td>148,469</td>
<td>162,574</td>
<td>167,221</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>85,928</td>
<td>85,053</td>
<td>85,741</td>
</tr>
<tr>
<td><strong>Other Expenses</strong></td>
<td>91,725</td>
<td>103,211</td>
<td>114,001</td>
</tr>
<tr>
<td><strong>Total Operating Expense</strong></td>
<td>1,528,912</td>
<td>1,623,673</td>
<td>1,721,252</td>
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<tr>
<td><strong>Operating Margin</strong></td>
<td>56,745</td>
<td>77,187</td>
<td>52,645</td>
</tr>
<tr>
<td><strong>Operating Margin %</strong></td>
<td>3.6%</td>
<td>4.5%</td>
<td>3.0%</td>
</tr>
<tr>
<td><strong>Non-operating Income/Expense</strong></td>
<td>(9,761)</td>
<td>(5,463)</td>
<td>(10,045)</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>46,985</td>
<td>71,724</td>
<td>42,600</td>
</tr>
<tr>
<td><strong>EBIDA</strong>*</td>
<td>173,369</td>
<td>155,303</td>
<td>110,839</td>
</tr>
<tr>
<td><strong>EBIDA %</strong></td>
<td>10.9%</td>
<td>9.1%</td>
<td>6.2%</td>
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* FY15 projected from June pre-lim  
** Includes pension expense  
*** Earnings before interest, depreciation, amortization, & pension
### UCDMC Funding of SOM and UCOP

*(stated in thousands)*

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<tbody>
<tr>
<td>UCOP Tax*</td>
<td>21,983</td>
<td>22,166</td>
<td>23,540**</td>
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<tr>
<td>Fund Balance Transfer</td>
<td>23,239</td>
<td>23,078</td>
<td>26,723</td>
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<tr>
<td>Purchased Professional Services from SOM</td>
<td>90,162</td>
<td>94,240</td>
<td>105,856</td>
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<tr>
<td>Total Support</td>
<td>135,384</td>
<td>139,484</td>
<td>154,745</td>
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</table>

* UCOP Tax includes above and below the line amounts
** FY16 estimated based on FY15 expense
## Capital Budget Fiscal Years 2015 – 2019

<table>
<thead>
<tr>
<th>Planned Capital Expenditures</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
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</thead>
<tbody>
<tr>
<td>Medical/Imaging and other equipment replacement</td>
<td>17,854</td>
<td>29,151</td>
<td>25,250</td>
<td>29,420</td>
<td>27,338</td>
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<tr>
<td>Ambulatory expansion</td>
<td>1,120</td>
<td>34,737</td>
<td>17,664</td>
<td>14,630</td>
<td>14,718</td>
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<tr>
<td>Information Technology</td>
<td>15,454</td>
<td>40,564</td>
<td>31,950</td>
<td>33,687</td>
<td>25,264</td>
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<tr>
<td>Facilities Renovation</td>
<td>2,335</td>
<td>23,352</td>
<td>34,321</td>
<td>29,584</td>
<td>13,578</td>
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<tr>
<td>Seismic Upgrades</td>
<td>6,588</td>
<td>31,584</td>
<td>106,354</td>
<td>63,557</td>
<td>9,640</td>
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<tr>
<td>Other Projects</td>
<td>810</td>
<td>2,403</td>
<td>400</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44,161</strong></td>
<td><strong>161,791</strong></td>
<td><strong>215,939</strong></td>
<td><strong>170,878</strong></td>
<td><strong>90,538</strong></td>
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