



THE UNIVERSITY OF KANSAS HEALTH SYSTEM

FY2018:  
2<sup>nd</sup> Quarter  
(October – December 2017)  
Financial Report  
(Unaudited)

# Executive Summary

## FY 2018: Second Quarter

### **Transaction**

As of January 1, 2017 the University of Kansas Hospital Authority (Authority) became the sole corporate member of Hays Medical Center, Inc. (HaysMed). HaysMed owns and operates a 206-bed acute care hospital that provides healthcare services on its campus in Hays, Kansas, a city of about 21,000 residents four hours west of Kansas City. HaysMed is the sole member of The Hays Medical Center Foundation (HMCF).

Both HaysMed and HMCF became members of the Obligated Group on May 10, 2017, joining the Authority, Jayhawk Primary Care, Inc., Mid-America Cardiology Associates, Inc., Kansas University Physicians, Inc. and the University of Kansas Physicians as the members of the Obligated Group under the Master Trust Indenture.

# Executive Summary

## FY 2018: Second Quarter

### Statistics

- Patient Days increased 7.2% (1.4% decline pre HaysMed), Discharges increased 17.2% (4.1% pre HaysMed) from the prior year same quarter.
- The Case Mix Index (CMI) increased from 1.8329 in the prior year same quarter to 1.8408. Pre HaysMed was an increase of 1.8% to 1.8650.
- The Average Length of Stay (ALOS) decreased to 5.07 from 5.54 from the prior year same quarter. The pre HaysMed figure was 5.25 this quarter. Significant work to decrease the ALOS is impacting these figures.

### Revenue

- Net Patient Revenue increased by 13.7%, or \$65.1 million, from the previous year's same quarter. Bad debt/charity was 3.4% percent of gross charges which was lower than the previous year's same quarter figure of 3.6%.
- The increase in Net Patient Revenue was primarily driven by the addition of HaysMed, which added \$46.0 million, as well as growth in the KC Division.
- Other Operating Revenue increased by \$15.1 million. HaysMed accounted for \$3.6 million and the remaining was driven primarily by specialty pharmacy growth.

### Operating Expenses

- Total operating expenses increased by 17.8%, or \$87.8 million, from the previous year's same quarter. The addition of HaysMed accounts for \$49.9 million and the remaining \$37.9 million was growth in the KC Division.

# Executive Summary

## FY 2018: Second Quarter

### **Operating Results**

- The Authority's second quarter GASB operating margin was \$14.0 million, or 2.4% (1.4% FASB), which was \$7.6 million less than the prior year's same quarter GASB operating margin of \$21.6 million, or 4.2% (3.7% FASB). This was driven in large part by start up costs, training and staffing related to the opening of a new patient tower that opened in November.

### **Non-Operating Results**

- Second quarter investment gains were \$10.2 million (\$2.8 million related to HaysMed), compared to losses of \$2.5 million in the prior year same quarter.
- The Authority reported a combined Net Income for the second quarter of \$22.1 million, which was \$5.0 million higher than the prior year same quarter net income of \$17.1 million.

# Executive Summary

## FY 2018: December 2017 YTD

### **Balance Sheet**

- Unrestricted cash increased \$10.8 million during the six months. The change in cash included the following major components:
  - Cash flow from operations of \$71.4 million.
  - Change in assets limited as to use of \$56.5
  - Acquisition of assets of \$(119.4) million.
  - Debt service of \$(19.1) million.
- FY 2018 second quarter EBIDA was \$98.6 million.
- Equities were approximately 18.7% of the total portfolio at December 31, 2017 (13.7% pre HaysMed). The Authority had no swaps at December 31, 2017.

# Operating Statistics

## First Quarter

Sep-17 YTD Actual	Sep-16 YTD Actual	FY 18 to FY 17 % Variance
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### Workload

Discharges	11,544	9,503	21.5%
Patient Days	59,868	54,525	9.8%
ER Visits - Inpatient	4,007	3,357	19.4%
ER Visits - Outpatient	12,960	10,031	29.2%
Outpatient Encounters	267,592	199,305	34.3%

### Acuity

ALOS	5.19	5.74	-9.6%
Case Mix Index	1.8016	1.8908	-4.7%
CMI Adj. Equiv. Dischgs.	54,233	44,110	22.9%

# Operating Statistics

## Second Quarter

Oct-Dec 17 Actual	Oct-Dec 16 Actual	FY 18 to FY 17 % Variance
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### Workload

Discharges	11,577	9,875	17.2%
Patient Days	58,643	54,719	7.2%
ER Visits - Inpatient	4,875	3,523	38.4%
ER Visits - Outpatient	14,611	9,286	57.3%
Outpatient Encounters	272,120	202,207	34.6%

### Acuity

ALOS	5.07	5.54	-8.5%
Case Mix Index	1.8408	1.8329	0.4%
CMI Adj. Equiv. Dischgs.	56,355	45,695	23.3%

# Patient Revenue (In \$000's)

## First Quarter

	Jul-Sep 17 Actual	Jul-Sep 16 Actual	Variance Actual
<b><u>Gross Patient Revenue</u></b>			
Inpatient	\$ 789,036	\$ 725,203	8.8%
Outpatient	1,076,799	852,975	26.2%
Physician	<u>183,573</u>	<u>202,104</u>	-9.2%
Total	2,049,408	1,780,282	15.1%
Contractual Allowances	(1,443,649)	(1,254,742)	-15.1%
Bad Debts	(27,782)	(11,996)	-131.6%
Charity	<u>(50,880)</u>	<u>(51,983)</u>	2.1%
<b>Net Patient Revenue</b>	<b><u>\$ 527,097</u></b>	<b><u>\$ 461,561</u></b>	<b>14.2%</b>
CMI Adj. Equiv. Dischgs.	54,233	44,110	22.9%
Gross Revenue/CMIAED	\$ 37,789	\$ 40,360	-6.4%
Net Revenue/CMIAED	\$ 9,719	\$ 10,464	-7.1%
Net Revenue as % of Gross	25.7%	25.9%	-0.8%
Bad Debt & Charity as a % of Gross	3.8%	3.6%	-5.6%



# Patient Revenue (In \$000's)

## Second Quarter

	Oct-Dec 17 Actual	Oct-Dec 16 Actual	Variance Actual
<b><u>Gross Patient Revenue</u></b>			
Inpatient	\$ 788,404	\$ 723,928	8.9%
Outpatient	1,093,871	890,086	22.9%
Physician	<u>188,170</u>	<u>210,940</u>	-10.8%
Total	2,070,445	1,824,954	13.5%
Contractual Allowances	(1,460,991)	(1,285,402)	-13.7%
Bad Debts	(17,946)	(17,993)	0.3%
Charity	<u>(52,723)</u>	<u>(47,871)</u>	-10.1%
<b>Net Patient Revenue</b>	<b><u>\$ 538,785</u></b>	<b><u>\$ 473,688</u></b>	<b>13.7%</b>
CMI Adj. Equiv. Dischgs.	56,355	45,695	23.3%
Gross Revenue/CMIAED	\$ 36,739	\$ 39,938	-8.0%
Net Revenue/CMIAED	\$ 9,561	\$ 10,366	-7.8%
Net Revenue as % of Gross	26.0%	26.0%	0.0%
Bad Debt & Charity as a % of Gross	3.4%	3.6%	5.6%

# Combined Statement of Operations (In \$000's)

## First Quarter

	Sep-17 YTD	Sep-16 YTD	\$ Variance	% Variance
Net Patient Revenue	\$ 527,098	\$ 461,561	\$ 65,537	14.2%
Other Operating Revenue	<u>48,737</u>	<u>40,974</u>	<u>7,763</u>	18.9%
Total Operating Revenue	575,835	502,535	73,300	14.6%
Operating Expenses				
Salaries & Benefits	300,036	254,620	45,416	17.8%
Contract Labor	6,021	6,993	(972)	-13.9%
Supplies	133,900	118,086	15,814	13.4%
Other Operating Expenses	99,781	81,956	17,825	21.7%
Depreciation and amortization	<u>20,026</u>	<u>16,563</u>	<u>3,463</u>	20.9%
Total Operating Expenses	<u>559,764</u>	<u>478,218</u>	<u>81,546</u>	17.1%
Operating Income (Loss)	16,071	24,317	(8,246)	-33.9%
Interest Expense	(3,089)	(3,534)	445	-12.6%
Non Operating Gains, net	<u>13,449</u>	<u>7,709</u>	<u>5,740</u>	74.5%
Excess of Revenues over Expenses	<u>\$ 26,431</u>	<u>\$ 28,492</u>	<u>\$ (2,061)</u>	-7.2%
Operating Margin	2.8%	4.8%		
Total Margin	4.6%	5.7%		

# Combined Statement of Operations (In \$000's)

## Second Quarter

	Oct - Dec 17	Oct - Dec 16	\$ Variance	% Variance
Net Patient Revenue	\$ 538,787	\$ 473,688	\$ 65,099	13.7%
Other Operating Revenue	<u>55,026</u>	<u>39,912</u>	<u>15,114</u>	37.9%
Total Operating Revenue	593,813	513,600	80,213	15.6%
Operating Expenses				
Salaries & Benefits	311,262	260,691	50,571	19.4%
Contract Labor	7,539	7,277	262	3.6%
Supplies	140,937	122,280	18,657	15.3%
Other Operating Expenses	98,753	85,485	13,268	15.5%
Depreciation and amortization	<u>21,288</u>	<u>16,255</u>	<u>5,033</u>	31.0%
Total Operating Expenses	<u>579,779</u>	<u>491,988</u>	<u>87,791</u>	17.8%
Operating Income (Loss)	14,034	21,612	(7,578)	-35.1%
Interest Expense	(5,675)	(2,713)	(2,962)	109.2%
Non Operating Gains, net	<u>13,697</u>	<u>(1,841)</u>	<u>15,538</u>	-844.0%
Excess of Revenues over Expenses	<u>\$ 22,056</u>	<u>\$ 17,058</u>	<u>\$ 4,998</u>	29.3%
Operating Margin	2.4%	4.2%		
Total Margin	3.7%	3.3%		

# Combined Expense Ratio Comparison

## (Percent of Total Operating Revenue)

	<b>FY 2018 YTD</b> ****	<b>FY 2017</b> ***	<b>FY 2016</b>
Total Operating Revenue (\$000's)	\$ 1,169,648	\$ 2,136,727	\$ 1,734,972
Salary/Fringe *	52.2%	51.6%	44.0%
Contract Labor	1.2%	1.3%	1.4%
Total Compensation	53.4%	52.9%	45.4%
Supplies	23.5%	23.5%	23.6%
Other Operating Expenses **	17.0%	16.8%	19.6%
Depreciation and Amortization	3.5%	3.4%	3.6%
Total Expense	97.4%	96.6%	92.2%
Operating Margin	2.6%	3.4%	7.8%

- \* Includes new physician entity salary dollars.
- \*\* No longer includes PSA payments to physicians
- \*\*\* Includes six months of HaysMed
- \*\*\*\* Includes HaysMed

# Combined Balance Sheet (In \$000's)

	31-Dec-17 *	30-Sep-17 *	30-Jun-17 *	31-Mar-17 *	31-Dec-16
<b>Assets</b>					
Cash and cash equivalents	\$ 154,720	\$ 161,861	\$ 167,252	\$ 136,272	\$ 147,359
Assets limited or restricted as to use, current	8,435	8,684	8,863	8,200	1
Patient accounts receivable, net of allowance	245,426	244,823	239,601	237,601	193,908
Estimated amounts due from third-party payors	20,024	18,433	13,543	30,703	18,875
Other receivables	9,022	10,382	8,250	12,163	7,725
Inventory	45,276	40,890	39,600	34,901	29,973
Prepaid expenses	<u>27,316</u>	<u>19,064</u>	<u>24,686</u>	<u>21,390</u>	<u>18,143</u>
Total Current Assets	510,219	504,137	501,795	481,230	415,984
Noncurrent Investments	850,550	841,514	827,202	761,185	627,511
Held by trustee under bond indenture agreement	32,329	63,321	92,374	5,251	14,316
Donor restricted assets	19,122	17,351	15,637	24,430	5,685
Property plant & equipment - gross	1,719,046	1,650,496	1,604,872	1,528,108	1,244,528
Accumulated depreciation	<u>(724,432)</u>	<u>(706,261)</u>	<u>(688,633)</u>	<u>(672,110)</u>	<u>(503,624)</u>
Property plant & equipment - net	994,614	944,235	916,239	855,998	740,904
Other assets	<u>131,066</u>	<u>125,636</u>	<u>128,958</u>	<u>138,373</u>	<u>109,593</u>
<b>Total Assets</b>	<b><u>\$ 2,537,900</u></b>	<b><u>\$ 2,496,194</u></b>	<b><u>\$ 2,482,205</u></b>	<b><u>\$ 2,266,467</u></b>	<b><u>\$ 1,913,993</u></b>

\* Includes HaysMed, June 30, 2017 restated to agree to audit presentation.

# Combined Balance Sheet (In \$000's)

	31-Dec-17 *	30-Sep-17 *	30-Jun-17 *	31-Mar-17 *	31-Dec-16
<b>Liabilities &amp; Unrestricted Fund Balance</b>					
Accounts payable	\$ 64,239	\$ 70,621	\$ 81,033	\$ 54,384	\$ 47,505
Accrued salaries, wages, and benefits	138,925	139,612	133,596	134,476	119,810
Estimated amounts due to third-party payors	28,596	19,760	13,620	15,866	5,756
Current portion of long-term debt	13,851	13,872	13,797	13,005	10,473
Other	<u>32,508</u>	<u>23,666</u>	<u>29,258</u>	<u>20,553</u>	<u>9,872</u>
Total current liabilities	278,119	267,531	271,304	238,284	193,416
MOB Lease Revenue Bonds	<u>50,317</u>	<u>50,319</u>	<u>50,323</u>	<u>51,186</u>	<u>51,190</u>
Net Pension Liability	<u>38,374</u>	<u>38,374</u>	<u>38,374</u>	<u>31,798</u>	<u>31,798</u>
Promissory note/ capital leases payable	311	359	407	466	531
Bonds payable	<u>666,931</u>	<u>667,523</u>	<u>675,370</u>	<u>521,222</u>	<u>477,045</u>
Long Term Debt	<u>667,242</u>	<u>667,882</u>	<u>675,777</u>	<u>521,688</u>	<u>477,576</u>
Deferred Inflows of Resources	<u>1,770</u>	<u>1,820</u>	<u>1,870</u>	<u>6,503</u>	<u>7,090</u>
Total Liabilities and deferred inflows of resources	1,035,822	1,025,926	1,037,648	849,459	761,070
Fund balance restricted or limited as to use	85,602	90,625	88,496	86,434	63,785
Unrestricted fund balance	<u>1,416,476</u>	<u>1,379,643</u>	<u>1,356,061</u>	<u>1,330,574</u>	<u>1,089,138</u>
<b>Total Liabilities/Fund Balance</b>	<b><u>\$ 2,537,900</u></b>	<b><u>\$ 2,496,194</u></b>	<b><u>\$ 2,482,205</u></b>	<b><u>\$ 2,266,467</u></b>	<b><u>\$ 1,913,993</u></b>

\* Includes HaysMed, June 30, 2017 restated to agree to audit presentation.

# Combined Statement of Cash Flows (In \$000's)

## December YTD

### Sources of Cash

	Dec-17 YTD *	Dec-16 YTD
Operating income	\$ 30,105	\$ 45,929
Depreciation and amortization	41,314	32,818
Cash flow from operations	71,419	78,747
Non-Operating Gain, net	27,147	5,868
EBIDA	98,566	84,615
Change in Assets Limited as to Use	56,451	59,896
Special Item: Financing	-	45,915
<b>Total Sources of Cash</b>	<b>155,017</b>	<b>190,426</b>

### Uses of Cash

Acquisition of assets \ Investments	119,445	76,389
Change in working capital	12,284	30,927
Change in other assets/liabilities	(6,607)	4,432
Debt retirement	-	45,915
Debt service (principal & interest)	19,079	16,845
<b>Total Uses of Cash</b>	<b>144,201</b>	<b>174,508</b>
<b>Total Cash Provided (Used)</b>	<b>\$ 10,816</b>	<b>\$ 15,918</b>

