



## UWHCA Finance Committee

October 22, 2020, 10:00 - 11:30 AM

WebEx: <https://uwhealth.webex.com/uwhealth/onstage/g.php?MTID=ef4dd43702c98585c9d0d01a769bf3bdc>

Meeting number: 120 216 0852 // Password: 102220

Telephone: 1-415-655-0003 US TOLL // Access code: 120 216 0852

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# UWHCA Finance Committee - October 22, 2020 - Public Meeting Notice

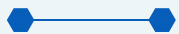
## Agenda

- |          |  |                   |
|----------|--|-------------------|
| 10:00 AM | <hr/> <b>I. Call to Order</b><br>Mr. Kenneth Mount   |                   |
| 10:01 AM | <hr/> <b>II. Meeting Minutes - Open Session</b><br>Mr. Kenneth Mount   | Approval          |
| 10:02 AM | <hr/> <b>III. UW Health Consolidated Financials - Preliminary September 30, 2020</b><br>Mr. Robert Flannery, Ms. Jodi Vitello, Ms. Patti DeWane  | Report/Discussion |
|          | <p style="padding-left: 40px;">Presentation - UW Health Consolidated Financials - Preliminary<br/>September 30, 2020</p>   |                   |
| 10:12 AM | <hr/> <b>IV. Closed Session</b><br><br><p>Motion to enter into closed session pursuant to Wisconsin Statutes section 19.85(1)(e), for the discussion of the following confidential strategic matters, which for competitive reasons require a closed session: review and approval of closed session meeting minutes; YTD financial and budget report; COVID-19 impact and response update; rural referral center update; discussion regarding other financial matters including private placement of bonds and capital budget request – Transplant Clinic; and pursuant to Wisconsin Statutes section 19.85(1)(g), to confer with legal counsel regarding these and other matters.</p> |                   |
| 11:28 AM | <hr/> <b>V. Return to Open Session</b>   |                   |
| 11:28 AM | <hr/> <b>VI. ACTION: Private Placement of Bonds</b><br>Dr. Alan Kaplan<br>Motion to endorse private placement of bonds to UWHCA Board of Directors as discussed in Closed Session.   | Endorsement       |
| 11:29 AM | <hr/> <b>VII. ACTION: UW Health Capital Budget Request - Transplant Clinic</b><br>Mr. Kenneth Mount<br>Motion to endorse approval of UW Health Capital Budget Request - Transplant Clinic to UWHCA Board of Directors as discussed in Closed Session.  | Endorsement       |
| 11:30 AM | <hr/> <b>VIII. Adjourn</b>   |                   |

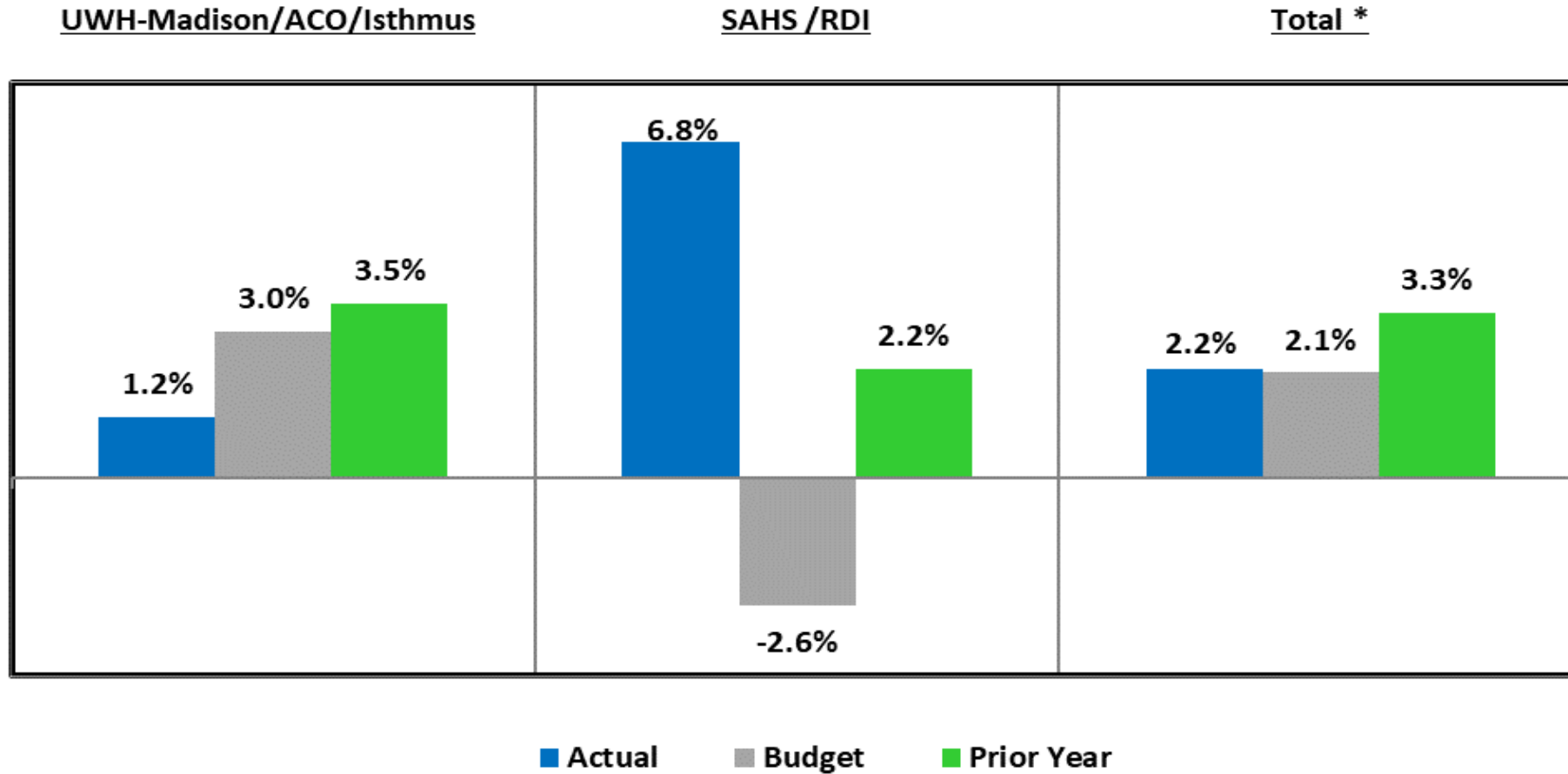
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# **UW Health Consolidated Financials Preliminary September 30, 2020**



# UW Health Current Month Operating Margin – September 30, 2020



The main variance to budget, for Madison operations, is the NGACO payment from Medicare. It was budgeted to hit in September and we did not receive until October. We budgeted \$6M, we received just under \$9M. This will be reflected in the October close.

# Summary of Enterprise-wide September 30, 2020 Operating Results

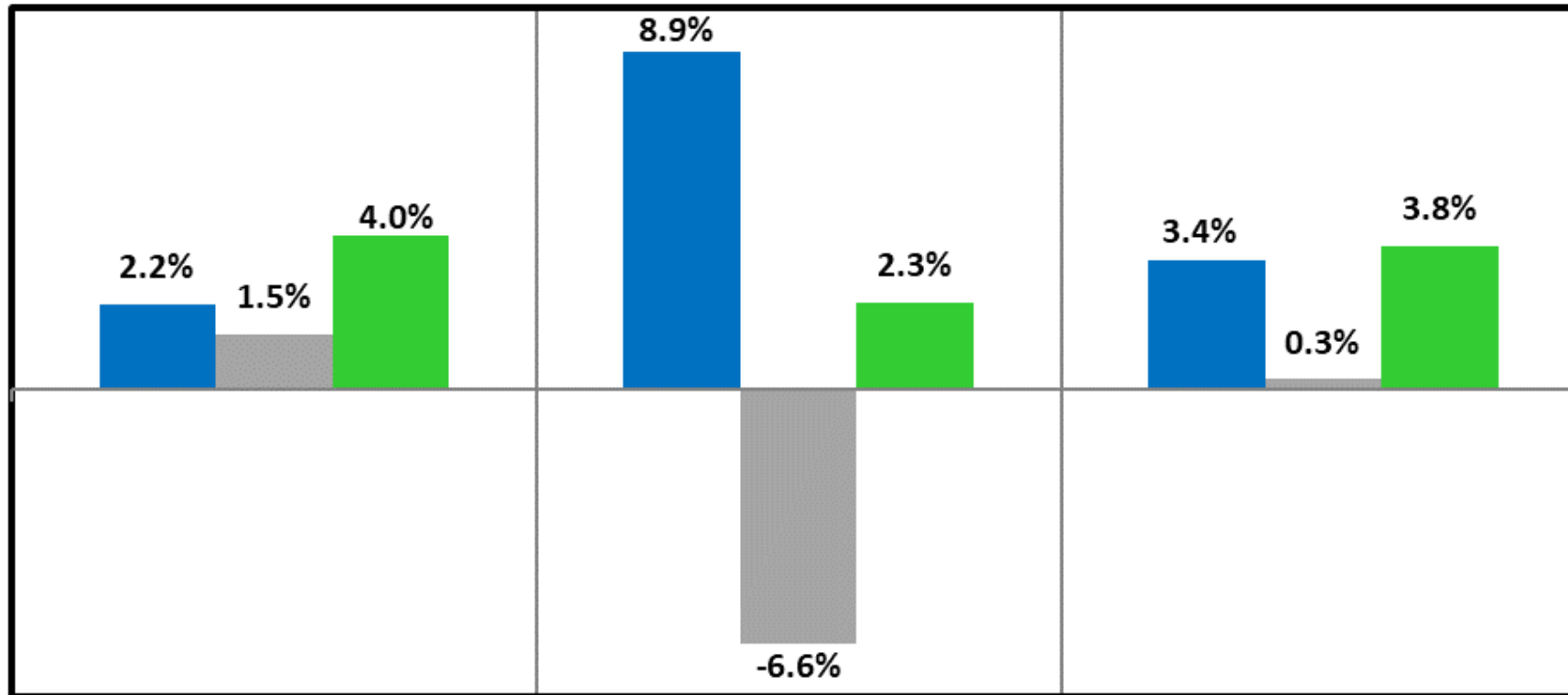
	Actual September- FY21	Budget September- FY21	Variance vs. Budget	Var. % vs. Budget	Actual September- FY20	Variance vs. PY	Var. % vs. PY
<b><u>TOTAL OPERATING REVENUE</u></b>							
Net patient service revenue	292,887,522	296,426,089	(3,538,567)	-1%	273,115,504	19,772,018	7%
Other operating revenues	8,929,180	13,723,787	(4,794,607)	-35%	12,508,947	(3,579,767)	-29%
<b>Total operating revenues, net</b>	<b>301,816,702</b>	<b>310,149,876</b>	<b>(8,333,174)</b>	<b>-3%</b>	<b>285,624,451</b>	<b>16,192,251</b>	<b>6%</b>
<b><u>TOTAL OPERATING EXPENSES</u></b>							
Salaries and benefits	160,567,598	166,755,296	(6,187,698)	-4%	152,440,933	8,126,665	5%
Other expenses	3,879,821	3,216,046	663,775	21%	7,034,832	(3,155,011)	-45%
Purchased services and agency costs	15,067,266	22,653,911	(7,586,645)	-33%	21,476,055	(6,408,789)	-30%
Medical materials and supplies	22,834,318	23,499,253	(664,935)	-3%	16,484,240	6,350,078	39%
Pharmaceuticals	53,567,614	47,314,256	6,253,358	13%	40,457,824	13,109,790	32%
Interest expense	1,896,804	2,119,834	(223,030)	-11%	2,168,510	(271,706)	-13%
Depreciation and amortization	9,094,308	9,299,461	(205,153)	-2%	9,737,050	(642,742)	-7%
Public aid assessment	5,047,815	5,160,502	(112,687)	-2%	4,799,627	248,188	5%
Facilities and equipment	16,980,375	17,811,530	(831,155)	-5%	15,500,296	1,480,079	10%
Nonoperating expenses - academic support	6,211,332	5,711,988	499,344	9%	6,011,068	200,264	3%
<b>Net Operating Expenses</b>	<b>295,147,251</b>	<b>303,542,077</b>	<b>(8,394,826)</b>	<b>-3%</b>	<b>276,110,435</b>	<b>19,036,816</b>	<b>7%</b>
<b>Income from operations</b>	<b>6,669,451</b>	<b>6,607,799</b>	<b>61,652</b>	<b>1%</b>	<b>9,514,016</b>	<b>(2,844,565)</b>	<b>-30%</b>
<b><u>NON-OPERATING REVENUE/EXPENSES</u></b>							
Net increase/decrease in fair value of investments	(24,977,825)	310,693	(25,288,518)	-8139%	9,803,626	(34,781,451)	-355%
Investment income	3,806,959	2,886,058	920,901	32%	5,504,518	(1,697,559)	-31%
Equity interest in income/loss of joint ventures	1,179,173	1,227,909	(48,736)	-4%	(3,248,371)	4,427,544	-136%
Net inc/dec in fair value of derivative instrument	62,808	0	62,808	0%	307,746	(244,938)	-80%
Other, net	390,638	390,794	(156)	0%	334,909	55,729	17%
<b>Net Non Operating Revenue/Expenses</b>	<b>(19,538,247)</b>	<b>4,815,454</b>	<b>(24,353,701)</b>	<b>-506%</b>	<b>12,702,428</b>	<b>(32,240,675)</b>	<b>-254%</b>
<b>Net Profit</b>	<b>(12,868,796)</b>	<b>11,423,253</b>	<b>(24,292,049)</b>	<b>-213%</b>	<b>22,216,444</b>	<b>(35,085,240)</b>	<b>-158%</b>

# UW Health YTD Operating Margin – September 30, 2020

UWH-Madison/ACO/Isthmus

SAHS /RDI

Total \*



■ Actual   ■ Budget   ■ Prior Year

# Summary of Enterprise-wide YTD September 30, 2020 Operating Results

	Actual Sep_YTD- FY21	Budget Sep_YTD- FY21	Variance vs. Budget	Var. % vs. Budget	Actual Sep_YTD- FY20	Variance vs. PY	Var. % vs. PY
<b><u>TOTAL OPERATING REVENUE</u></b>							
Net patient service revenue	905,439,694	893,009,359	12,430,335	1%	863,262,567	42,177,127	5%
Other operating revenues	22,636,926	28,671,207	(6,034,281)	-21%	24,924,151	(2,287,225)	-9%
<b>Total operating revenues, net</b>	<b>928,076,620</b>	<b>921,680,566</b>	<b>6,396,054</b>	<b>1%</b>	<b>888,186,718</b>	<b>39,889,902</b>	<b>4%</b>
<b><u>TOTAL OPERATING EXPENSES</u></b>							
Salaries and benefits	496,786,093	510,424,718	(13,638,625)	-3%	462,901,855	33,884,238	7%
Other expenses	10,026,976	9,381,085	645,891	7%	19,353,765	(9,326,789)	-48%
Purchased services and agency costs	52,633,325	66,915,415	(14,282,090)	-21%	62,186,181	(9,552,856)	-15%
Medical materials and supplies	67,608,695	70,375,252	(2,766,557)	-4%	60,227,302	7,381,393	12%
Pharmaceuticals	151,786,326	141,503,623	10,282,703	7%	133,509,430	18,276,896	14%
Interest expense	5,733,095	6,369,931	(636,836)	-10%	6,488,780	(755,685)	-12%
Depreciation and amortization	28,606,413	27,898,518	707,895	3%	29,573,918	(967,505)	-3%
Public aid assessment	15,460,647	15,481,506	(20,859)	0%	14,398,881	1,061,766	7%
Facilities and equipment	50,045,897	53,601,011	(3,555,114)	-7%	47,821,623	2,224,274	5%
Nonoperating expenses - academic support	17,979,085	17,135,963	843,122	5%	18,125,118	(146,033)	-1%
<b>Net Operating Expenses</b>	<b>896,666,552</b>	<b>919,087,022</b>	<b>(22,420,470)</b>	<b>-2%</b>	<b>854,586,853</b>	<b>42,079,699</b>	<b>5%</b>
<b>Income from operations</b>	<b>31,410,068</b>	<b>2,593,544</b>	<b>28,816,524</b>	<b>-105500%</b>	<b>33,599,865</b>	<b>(2,189,797)</b>	<b>-7%</b>
<b><u>NON-OPERATING REVENUE/EXPENSES</u></b>							
Net increase/decrease in fair value of investments	53,324,192	932,079	52,392,113	5621%	3,988,709	49,335,483	1237%
Investment income	9,583,773	8,664,526	919,247	11%	7,267,800	2,315,973	32%
Equity interest in income/loss of joint ventures	10,328,669	3,683,726	6,644,943	180%	7,451,512	2,877,157	39%
Net inc/dec in fair value of derivative instrument	219,263	0	219,263	100%	(402,699)	621,962	-154%
Other, net	698,102	1,165,369	(467,267)	-40%	674,710	23,392	3%
<b>Net Non Operating Revenue/Expenses</b>	<b>74,153,999</b>	<b>14,445,700</b>	<b>59,708,299</b>	<b>413%</b>	<b>18,980,032</b>	<b>55,173,967</b>	<b>291%</b>
<b>Net Profit</b>	<b>105,564,067</b>	<b>17,039,244</b>	<b>88,524,823</b>	<b>520%</b>	<b>52,579,897</b>	<b>52,984,170</b>	<b>101%</b>

# Enterprise-wide September 30, 2020 YTD Performance Ratios

	Favorable Direction	FY 20	Healthcare System Industry Comparisons	
			S&P "AA-" Rated (1)	Moody's "Aa3" Rated (2)
<b>Operating Margin (including Academic Support)</b>	↑	3.4%	3.0%	3.6%
<b>Total Margin</b>	↑	10.5%	5.5%	6.6%
<b>Days Cash on Hand * (including Academic Support)</b>	↑	257 ^	259	264
<b>Days in Accounts Receivable **</b>	↓	45	46	47
<b>Long Term Debt to Capitalization</b>	↓	20.6%	27.4%	24.9%
<b>Operating Cash Flow</b>	↑	7.1%	7.2%	9.4%
<b>Cash-to-Debt</b>	↑	336.3%	224.7%	237.3%

\* excludes provision for bad debt and retiree health insurance

\*\* average for 12 months

(1) S&P's 2019 financial ratios based on 36 obligators rated "AA-" by S&P. Based on 2018 audited financials.

(2) Moody's 2019 financial ratios based on 32 "Aa3" rated hospitals. Based on 2018 audited financials.

^ The significant increase to DCOH is related to the advanced received from Medicare, which is over 25 days and some rebounds in the investment portfolio



# Balance Sheet – Preliminary September 30, 2020

	UWHCA	UWMF	ACO/Isthmus	Total UWHCA and UWMF	Discrete Components	UW Health Consolidated
Cash & Investments						
Unrestricted	1,425,997,987	524,296,448	1,929,750	1,952,224,185	444,458,800	<b>2,396,682,985</b>
Restricted by Trustee & Donors	20,893,762	1,838,344	-	22,732,106	44,267,346	<b>66,999,452</b>
Accounts Receivable	300,385,486	103,157,008	40,000	403,582,494	70,096,082	<b>473,678,576</b>
Property, Plant & Equipment, Net	765,747,731	67,729,503	10,537	833,487,771	411,335,163	<b>1,235,452,958</b>
Other Assets & Deferred Outflows of Resources	1,532,278,826	496,056,831	973,359	930,544,925	40,416,821	<b>774,641,469</b>
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$ 4,045,303,792</b>	<b>\$ 1,193,078,134</b>	<b>\$ 2,953,646</b>	<b>\$ 4,142,571,481</b>	<b>\$ 1,010,574,212</b>	<b>\$ 4,947,455,440</b>
Current Liabilities	960,714,436	793,849,777	1,479,000	658,753,768	184,528,038	<b>651,313,461</b>
Long-term Debt & Deferred Inflows of Resources	1,205,373,966	45,358,344	-	1,250,732,310	256,618,940	<b>1,507,351,249</b>
Net Position						
Unrestricted	1,845,243,111	353,870,013	1,474,646	2,199,113,124	560,348,102	<b>2,745,739,319</b>
Restricted	33,972,279	-	-	33,972,279	9,079,132	<b>43,051,411</b>
<b>Total Liabilities, Deferred Inflows of Resources &amp; Net Position</b>	<b>\$ 4,045,303,792</b>	<b>\$ 1,193,078,134</b>	<b>\$ 2,953,646</b>	<b>\$ 4,142,571,481</b>	<b>\$ 1,010,574,212</b>	<b>\$ 4,947,455,440</b>

Elimination Entries are not displayed but are part of the Consolidated Numbers