



UWHCA Finance Committee

November 19, 2020, 10:00 - 11:30 AM

WebEx: <https://uwhealth.webex.com/uwhealth/onstage/g.phpMTID=e43bb5175d682dd23d08e7860dd131445>

Meeting number: 120 264 1958 // Password: 111920

Telephone: 1-415-655-0003 US TOLL // Access code: 120 264 1958

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UWHCA Finance Committee - November 19, 2020 - Public Meeting Notice

Agenda

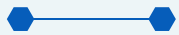
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|----------|---|-------------------|
| 10:00 AM | <hr/> I. Call to Order
Mr. Kenneth Mount | |
| 10:00 AM | <hr/> II. Meeting Minutes - Open Session
Mr. Kenneth Mount | Approval |
| 10:01 AM | <hr/> III. UW Health Investment Policy Statement
Mr. Robert Flannery, Ms. Jodi Vitello
(Material to be added in advance of meeting) | Approval |
| 10:05 AM | <hr/> IV. UW Health Consolidated Financials - Preliminary YTD October 31, 2020
Mr. Robert Flannery, Ms. Jodi Vitello, Ms. Patti DeWane

Presentation - UW Health Consolidated Financials - Preliminary YTD
October 31, 2020 | Report/Discussion |
| 10:14 AM | <hr/> V. Closed Session

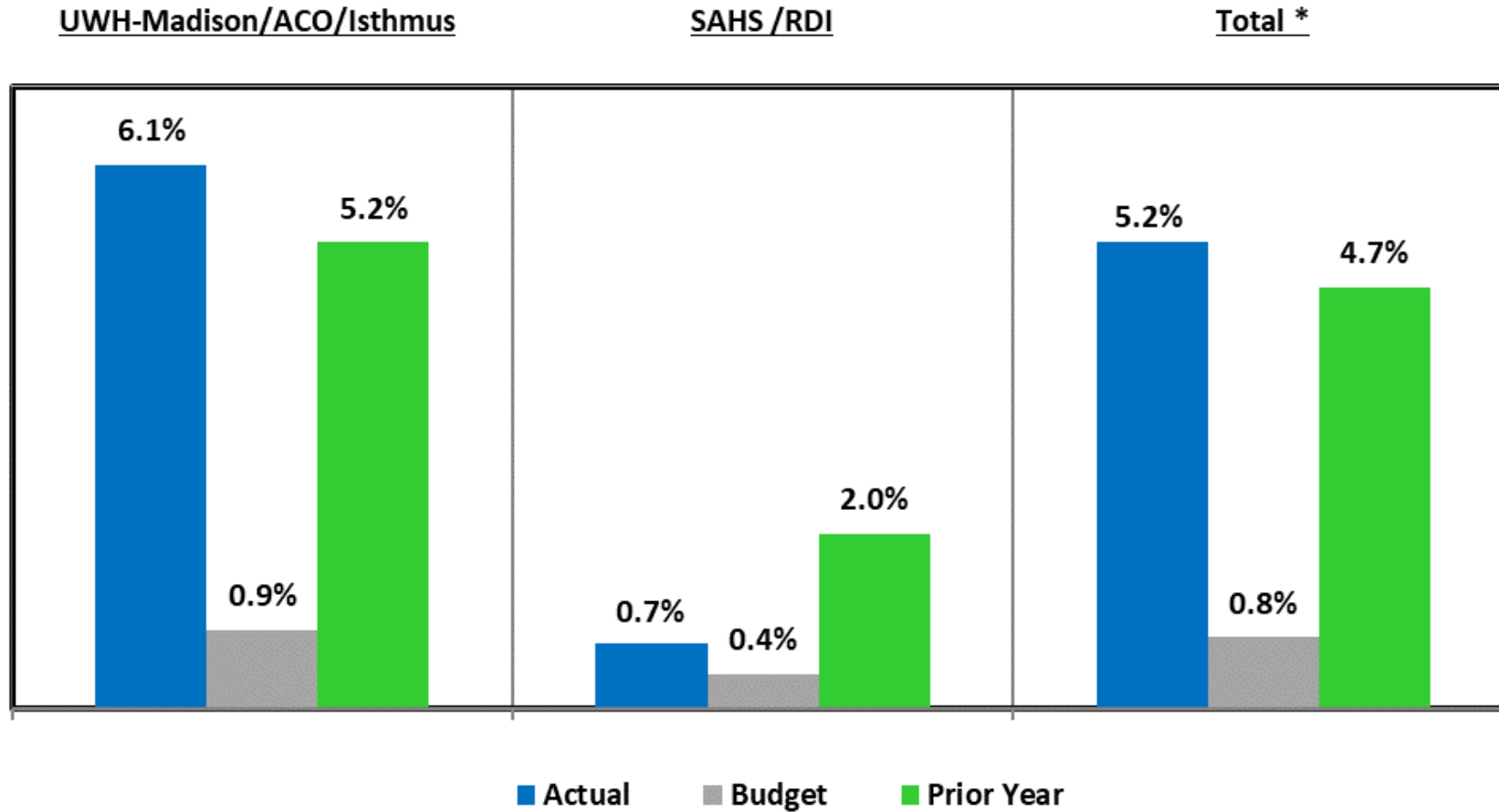
Motion to enter into closed session pursuant to Wisconsin Statutes section 19.85(1)(e), for the discussion of the following confidential strategic matters, which for competitive reasons require a closed session: review and approval of closed session meeting minutes; year-end FY20 audit report review, discuss financial matters including an update regarding private placement of bonds, comparison of peer financial results, financial analysis of North Central Illinois market trends and UW Health's telemedicine reimbursement trends; and pursuant to Wisconsin Statutes section 19.85(1)(g), to confer with legal counsel regarding these and other matters. | |
| 11:28 AM | <hr/> VI. Return to Open Session | |
| 11:29 AM | <hr/> VII. ACTION: Private Placement of Bonds
Mr. Kenneth Mount
Motion to endorse private placement of bonds to UWHCA Executive Committee as discussed in Closed Session. | Endorsement |
| 11:30 AM | <hr/> VIII. Adjourn | |



UW Health Consolidated Financials Preliminary October 31, 2020



UW Health Current Month Operating Margin – October 31, 2020

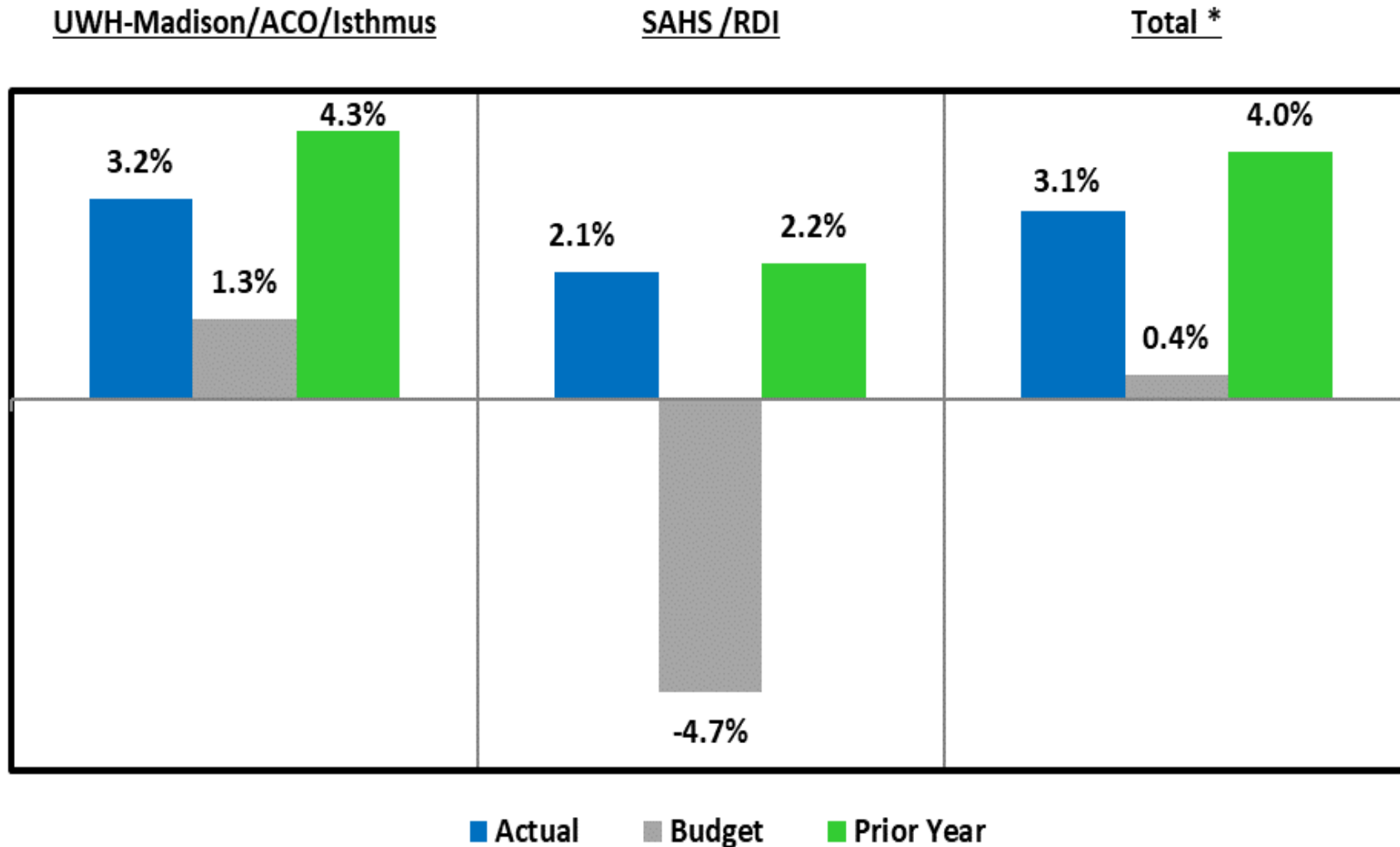


A significant piece of the variance to budget, for Madison operations, is the NGACO payment from Medicare. The budget of \$6M was in September and we received the payment, of just under \$9M in October.

Summary of Enterprise-wide October 31, 2020 Operating Results

	Actual October- FY21	Budget October- FY21	Variance vs. Budget	Var. % vs. Budget	Actual October- FY20	Variance vs. PY	Var. % vs. PY
<u>TOTAL OPERATING REVENUE</u>							
Net patient service revenue	311,869,990	304,099,652	7,770,338	3%	295,852,331	16,017,659	5%
Other operating revenues	14,449,681	8,024,017	6,425,664	80%	7,188,071	7,261,610	101%
Total operating revenues, net	326,319,671	312,123,669	14,196,002	5%	303,040,402	23,279,269	8%
<u>TOTAL OPERATING EXPENSES</u>							
Salaries and benefits	172,753,938	173,365,199	(611,261)	0%	161,724,048	11,029,890	7%
Other expenses	1,668,242	2,990,141	(1,321,899)	-44%	1,342,041	326,201	24%
Purchased services and agency costs	19,566,883	23,325,239	(3,758,356)	-16%	22,280,366	(2,713,483)	-12%
Medical materials and supplies	23,015,767	23,574,260	(558,493)	-2%	23,608,678	(592,911)	-3%
Pharmaceuticals	53,695,926	46,220,146	7,475,780	16%	40,416,844	13,279,082	33%
Interest expense	1,919,675	2,124,548	(204,873)	-10%	2,081,005	(161,330)	-8%
Depreciation and amortization	9,040,188	9,299,482	(259,294)	-3%	9,669,789	(629,601)	-7%
Public aid assessment	4,733,263	5,160,502	(427,239)	-8%	4,799,627	(66,364)	-1%
Facilities and equipment	16,822,037	17,830,451	(1,008,414)	-6%	16,518,339	303,698	2%
Nonoperating expenses - academic support	5,987,222	5,711,988	275,234	5%	6,242,177	(254,955)	-4%
Net Operating Expenses	309,203,141	309,601,956	(398,815)	0%	288,682,914	20,520,227	7%
Income from operations	17,116,530	2,521,713	14,594,817	579%	14,357,488	2,759,042	19%
<u>NON-OPERATING REVENUE/EXPENSES</u>							
Net increase/decrease in fair value of investments	(12,748,720)	310,693	(13,059,413)	-4203%	16,698,286	(29,447,006)	-176%
Investment income	128,748	2,886,058	(2,757,310)	-96%	2,106,241	(1,977,493)	-94%
Equity interest in income/loss of joint ventures	(7,137,435)	1,227,909	(8,365,344)	-681%	5,368,867	(12,506,302)	-233%
Net inc/dec in fair value of derivative instrument	237,112	0	237,112	100%	51,202	185,910	363%
Other, net	775,322	409,853	365,469	89%	302,329	472,993	156%
Net Non Operating Revenue/Expenses	(18,744,973)	4,834,513	(23,579,486)	-488%	24,526,925	(43,271,898)	-176%
Net Profit	(1,628,443)	7,356,226	(8,984,669)	-122%	38,884,413	(40,512,856)	-104%

UW Health YTD Operating Margin – October 31, 2020



Summary of Enterprise-wide YTD October 31, 2020 Operating Results

	Actual Oct_YTD- FY21	Budget Oct_YTD- FY21	Variance vs. Budget	Var. % vs. Budget	Actual Oct_YTD- FY20	Variance vs. PY	Var. % vs. PY
<u>TOTAL OPERATING REVENUE</u>							
Net patient service revenue	1,206,909,685	1,197,109,009	9,800,676	1%	1,159,114,894	47,794,791	4%
Other operating revenues	37,086,608	36,695,223	391,385	1%	32,112,222	4,974,386	15%
Total operating revenues, net	1,243,996,293	1,233,804,232	10,192,061	1%	1,191,227,116	52,769,177	4%
<u>TOTAL OPERATING EXPENSES</u>							
Salaries and benefits	669,540,030	683,789,918	(14,249,888)	-2%	624,625,902	44,914,128	7%
Other expenses	11,286,808	11,668,076	(381,268)	-3%	20,695,806	(9,408,998)	-45%
Purchased services and agency costs	72,917,195	90,943,827	(18,026,632)	-20%	84,466,547	(11,549,352)	-14%
Medical materials and supplies	90,293,697	93,937,579	(3,643,882)	-4%	83,835,979	6,457,718	8%
Pharmaceuticals	205,482,252	187,723,768	17,758,484	9%	173,926,273	31,555,979	18%
Interest expense	7,652,769	8,494,480	(841,711)	-10%	8,569,786	(917,017)	-11%
Depreciation and amortization	37,646,600	37,198,000	448,600	1%	39,243,706	(1,597,106)	-4%
Public aid assessment	20,193,910	20,642,008	(448,098)	-2%	19,198,508	995,402	5%
Facilities and equipment	66,890,124	71,443,373	(4,553,249)	-6%	64,339,963	2,550,161	4%
Nonoperating expenses - academic support	23,966,307	22,847,951	1,118,356	5%	24,367,295	(400,988)	-2%
Net Operating Expenses	1,205,869,692	1,228,688,980	(22,819,288)	-2%	1,143,269,765	62,599,927	5%
Income from operations	38,126,601	5,115,252	33,011,349	645%	47,957,351	(9,830,750)	-20%
<u>NON-OPERATING REVENUE/EXPENSES</u>							
Net increase/decrease in fair value of investments	40,524,783	1,242,772	39,282,011	3161%	20,686,996	19,837,787	96%
Investment income	9,708,916	11,544,231	(1,835,315)	-16%	9,374,042	334,874	4%
Equity interest in income/loss of joint ventures	3,191,231	4,911,635	(1,720,404)	-35%	12,820,380	(9,629,149)	-75%
Net inc/dec in fair value of derivative instrument	456,375	0	456,375	100%	(351,497)	807,872	-230%
Other, net	11,927,717	1,581,574	10,346,143	654%	977,038	10,950,679	1121%
Net Non Operating Revenue/Expenses	65,809,022	19,280,212	46,528,810	241%	43,506,959	22,302,063	51%
Net Profit	103,935,623	24,395,464	79,540,159	326%	91,464,310	12,471,313	14%

Enterprise-wide October 31, 2020 YTD Performance Ratios

	Favorable Direction	FY 20	Healthcare System Industry Comparisons	
			S&P "AA-" Rated (1)	Moody's "Aa3" Rated (2)
Operating Margin (including Academic Support)	↑	3.1%	3.0%	3.6%
Total Margin	↑	7.9%	5.5%	6.6%
Days Cash on Hand * (including Academic Support)	↑	260 ^	259	264
Days in Accounts Receivable **	↓	46	46	47
Long Term Debt to Capitalization	↓	20.5%	27.4%	24.9%
Operating Cash Flow	↑	6.7%	7.2%	9.4%
Cash-to-Debt	↑	338.3%	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 October 31, 2020

	UWHCA	UWMF	ACO/Isthmus	Total UWHCA and UWMF	Discrete Components	UW Health Consolidated
Cash & Investments						
Unrestricted	1,394,207,895	541,794,054	10,928,525	1,946,930,474	453,103,930	2,400,034,404
Restricted by Trustee & Donors	19,860,357	-	-	19,860,357	44,253,385	64,113,742
Accounts Receivable	301,520,191	105,201,762	40,000	406,761,953	74,227,538	480,989,491
Property, Plant & Equipment, Net	763,643,611	67,220,906	10,537	830,875,054	411,900,308	1,232,989,559
Other Assets & Deferred Outflows of Resources	1,554,657,390	515,449,247	981,304	924,677,568	77,285,135	804,047,402
Total Assets & Deferred Outflows of Resources	\$ 4,033,889,444	\$ 1,229,665,969	\$ 11,960,366	\$ 4,129,105,406	\$ 1,060,770,296	\$ 4,982,174,598
Current Liabilities	946,078,099	835,435,766	1,629,151	647,063,859	207,082,872	660,579,427
Long-term Debt & Deferred Inflows of Resources	1,204,445,334	43,520,000	-	1,247,965,334	286,430,514	1,534,395,847
Net Position						
Unrestricted	1,849,362,825	350,710,203	10,331,215	2,200,073,028	558,171,650	2,744,110,878
Restricted	34,003,186	-	-	34,003,186	9,085,260	43,088,446
Total Liabilities, Deferred Inflows of Resources & Net Position	\$ 4,033,889,444	\$ 1,229,665,969	\$ 11,960,366	\$ 4,129,105,406	\$ 1,060,770,296	\$ 4,982,174,598

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