



## UWHCA Finance Committee

May 7, 2020, 10:00 - 11:30 AM

Via WebEx: <https://uwhealth.webex.com/uwhealth/onstage/g.php?MTID=eb6df0bbbd17e8560f9a6163970a513b2>

Meeting number: 194 428 356 // Password: uwhgovmtg

Telephone: 1-415-655-0003 // Access Code 194 428 356

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# UWHCA Finance Committee - May 7, 2020 - PUBLIC MEETING NOTICE

## Agenda

- |          |   |                   |        |
|----------|---|-------------------|--------|
| 10:00 AM | <hr/> <b>I. Call to Order</b><br>Mr. Kenneth Mount  |                   |        |
| 10:02 AM | <hr/> <b>II. Meeting Minutes - Open Session</b><br>Mr. Kenneth Mount  | Approval          |        |
|          | Attachment - Open Session Minutes from March 26, 2020   |                   | Page 3 |
| 10:05 AM | <hr/> <b>III. UW Health Consolidated Financials - YTD March 31, 2020</b><br>Mr. Robert Flannery, Ms. Jodi Vitello, Ms. Patti DeWane   | Report/Discussion |        |
|          | Presentation - UW Health Consolidated Financials - YTD March 31, 2020   |                   | Page 6 |
| 10:15 AM | <hr/> <b>IV. Closed Session</b><br><br>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 minutes; FY21 UWHC hospital rate increase, UW Health Pharmacy financial update, COVID-19 financial update; and pursuant to Wisconsin Statutes section 19.85(1)(g) to confer with legal counsel regarding these and other matters. |                   |        |
| 11:27 AM | <hr/> <b>V. Return To Open Session</b>  |                   |        |
| 11:28 AM | <hr/> <b>VI. ACTION: FY21 UWHC Hospital Rate Increase</b><br>Mr. Kenneth Mount<br>Motion to recommend approval of FY21 UWHC hospital rate increase to UWHC Authority Board of Directors as discussed in closed session.   | Endorsement       |        |
| 11:30 AM | <hr/> <b>VII. Adjourn</b>   |                   |        |

# **Attachment**

## **Open Session Minutes**

**March 26, 2020**

# UNIVERSITY OF WISCONSIN HOSPITALS AND CLINICS AUTHORITY

## Minutes of the Finance Committee Meeting

### Open Session

March 26, 2020, 10:00 a.m. – 11:30 a.m.

Via WebEx

A meeting of the University of Wisconsin Hospitals and Clinics Authority (“UW Health”) Finance Committee was held via WebEx, Madison, Wisconsin, pursuant to notice duly given. Committee Chair, Kenneth Mount, chaired the meeting; Kelly Wilson, Secretary of the Committee, served as Secretary of the meeting.

#### Members Present:

Kenneth Mount (Chair), Representative Mark Born, Dean Robert Golden (Board Chair), Vice Chancellor Laurent Heller (arrived 10:04 a.m.), Dr. Alan Kaplan (non-voting), Dr. Rebecca Minter, Regent Janice Mueller, Senator Luther Olsen, Mike Weiden, Gary Wolter (Board Vice Chair)

#### Members Excused:

Paul Seidenstricker, Regent Karen Walsh

#### Also Present by Invitation:

#### UW Health/SwedishAmerican Health System (SAHS) Staff:

Ruth Bindl (Corporate Governance Coordinator); Patti DeWane (SAHS VP Finance/Treasurer); Kelsie Doty (VP/Practice Plan & Chief Administrative Officer); Robert Flannery (SVP/Chief Financial Officer); Patti Meyer (Corporate Governance Program Director); Kristina Miller (Corporate Governance Coordinator); Kyle Sweet (Unified Communications Analyst); Jodi Vitello (VP, Finance); Kelly Wilson (Chief Legal Officer, Secretary of the Board)

### **1. Call to Order**

Chair Kenneth Mount called the duly noticed meeting of the University of Wisconsin Hospitals and Clinics Authority (“UWHCA”) Finance Committee to order at 10:02 a.m.

### **2. Meeting Minutes – Open Session Minutes from February 27, 2020**

Upon a motion duly made by Senator Luther Olsen, seconded by Mr. Mike Weiden, and unanimously carried, the open session minutes of February 27, 2020 meeting were approved.

### **3. UW Health Consolidated Financials – YTD February 29, 2020**

Mr. Robert Flannery reviewed the year to date (YTD) February 29, 2020 financials including current month and YTD operating margin, summary of enterprise-wide YTD operating results, YTD performance ratios, and YTD balance sheet.

The Committee engaged in discussion with Mr. Flannery regarding the status of investments.

#### **4. Closed Session**

There being no other matters for discussion in open session, Chair Mount proposed to take the meeting 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 minutes; FY21 budget process update, Managed Care update, COVID-19 update, and Rural Referral Center update; and pursuant to section 19.85(1)(g) to confer with legal counsel regarding these and other matters.

Vice Chancellor Laurent Heller moved to go into closed session; Senator Olsen seconded the motion; and there was a unanimous roll call vote approving entering into closed session. The following members voted for the motion: Kenneth Mount (Chair), Representative Mark Born, Dean Robert Golden (Board Chair), Vice Chancellor Laurent Heller, Dr. Rebecca Minter, Regent Janice Mueller, Senator Luther Olsen, Mike Weiden, and Gary Wolter (Board Vice Chair).

#### **5. Return to Open Session**

#### **6. ACTION: Financial Line of Credit**

Upon a motion duly made by Senator Olsen, seconded by Dean Golden, and unanimously carried, the resolution authorizing the Financial Line of Credit as discussed in closed session was approved.

#### **7. Adjourn**

Upon a motion duly made by Senator Olsen, seconded by Vice Chancellor Heller, and unanimously carried, the meeting was adjourned at 11:35 a.m.

Respectfully Submitted,

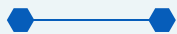
Kelly Wilson, Secretary

# **UW Health Financial Reports**

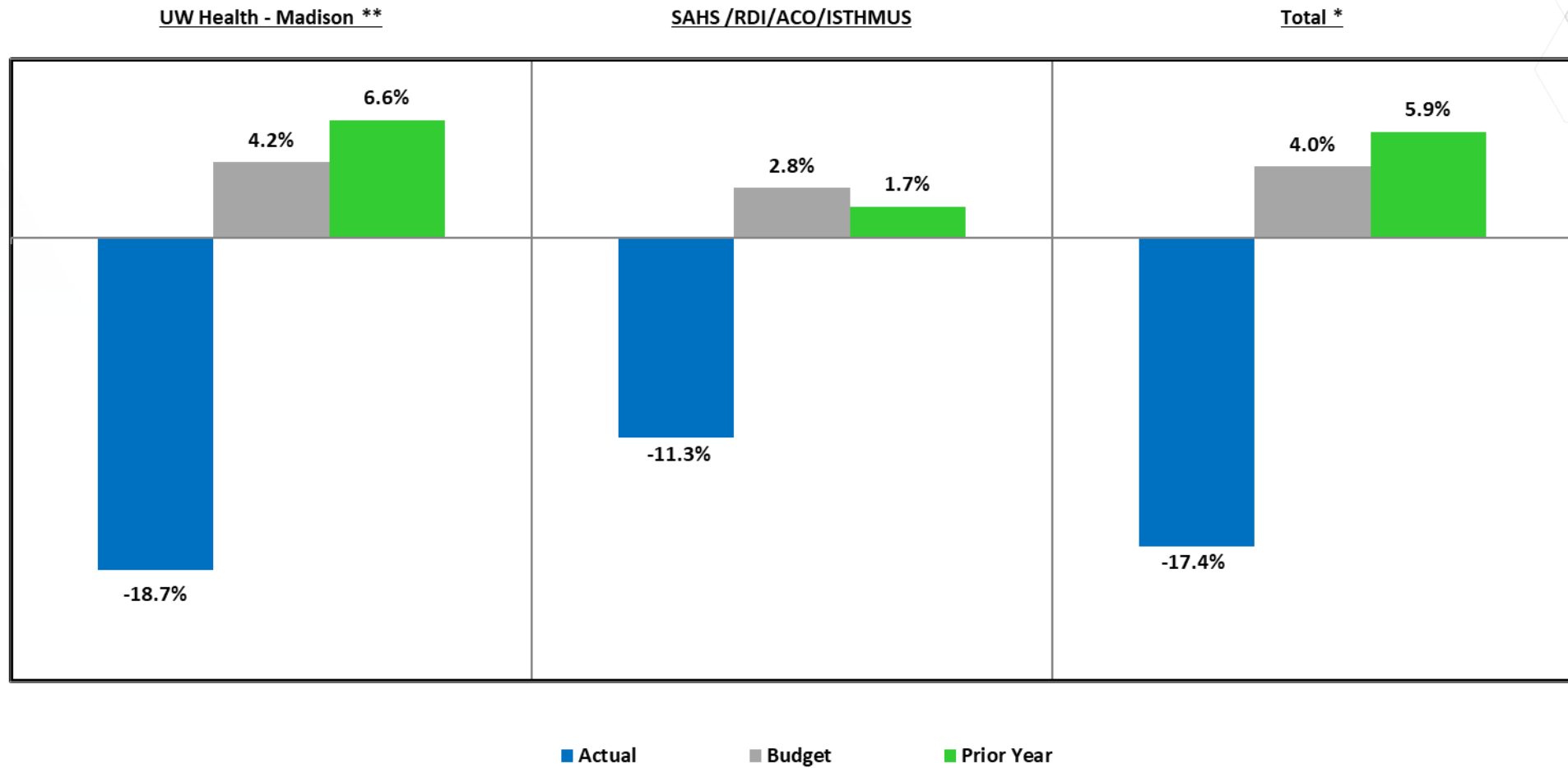
**Preliminary Consolidated Financial Statements  
March 31, 2020**

UWHCA Finance Committee

5.7.20



# UW Health Current Month Operating Margin – March 31, 2020

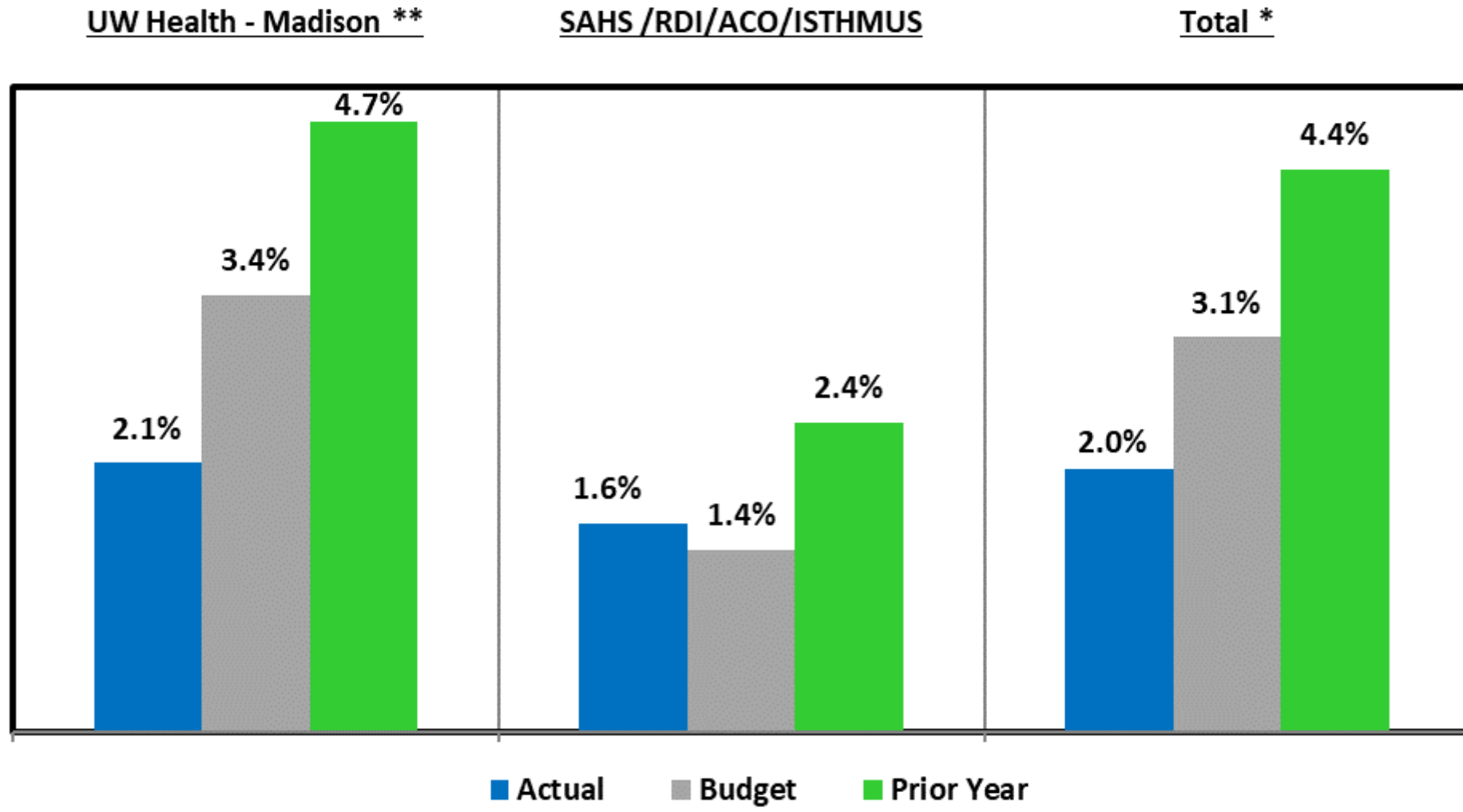


# Summary of Enterprise-wide March 31, 2020 Operating Results

	Actual March- FY20	Budget March- FY20	Variance vs. Budget	Var. % vs. Budget	Actual March- FY19	Variance vs. PY	Var. % vs. PY
<b>TOTAL OPERATING REVENUE</b>							
Net patient service revenue	253,072,674	293,149,115	(40,076,441)	-14%	279,258,552	(26,185,878)	-9%
Other operating revenues	6,346,740	6,596,450	(249,710)	-4%	9,030,894	(2,684,154)	-30%
<b>Total operating revenues, net</b>	<b>259,419,414</b>	<b>299,745,565</b>	<b>(40,326,151)</b>	<b>-13%</b>	<b>288,289,446</b>	<b>(28,870,032)</b>	<b>-10%</b>
<b>TOTAL OPERATING EXPENSES</b>							
Non-physician salaries and benefits	120,952,922	120,696,785	256,137	0%	125,034,673	(4,081,751)	-3%
Physician salaries and benefits	45,607,402	40,977,435	4,629,967	11%	32,214,394	13,393,008	42%
<b>Salaries and benefits</b>	<b>166,560,324</b>	<b>161,674,220</b>	<b>4,886,104</b>	<b>3%</b>	<b>157,249,067</b>	<b>9,311,257</b>	<b>6%</b>
Other expenses	6,984,674	5,591,735	1,392,939	25%	858,855	6,125,819	713%
Purchased services and agency costs	23,325,327	18,053,747	5,271,580	29%	19,404,955	3,920,372	20%
Medical materials and supplies	21,934,510	19,675,411	2,259,099	11%	18,591,714	3,342,796	18%
Pharmaceuticals	45,725,832	42,252,670	3,473,162	8%	36,120,589	9,605,243	27%
Interest expense	2,390,101	2,443,110	(53,009)	-2%	1,963,007	427,094	22%
Depreciation and amortization	9,696,915	10,245,265	(548,350)	-5%	9,793,541	(96,626)	-1%
Public aid assessment	4,799,627	4,992,003	(192,376)	-4%	4,802,823	(3,196)	0%
Facilities and equipment	17,171,662	16,776,051	395,611	2%	15,495,284	1,676,378	11%
Nonoperating expenses - academic support	5,987,049	6,078,642	(91,593)	-2%	6,901,629	(914,580)	-13%
<b>Net Operating Expenses</b>	<b>304,576,021</b>	<b>287,782,854</b>	<b>16,793,167</b>	<b>6%</b>	<b>271,181,464</b>	<b>33,394,557</b>	<b>12%</b>
<b>Income from operations</b>	<b>(45,156,607)</b>	<b>11,962,711</b>	<b>(57,119,318)</b>	<b>-477%</b>	<b>17,107,982</b>	<b>(62,264,589)</b>	<b>-364%</b>
<b>NON-OPERATING REVENUE/EXPENSES</b>							
Net increase/decrease in fair value of investments	(124,526,190)	696,371	(125,222,561)	-17982%	9,555,113	(134,081,303)	-1403%
Investment income	1,200,538	2,568,590	(1,368,052)	-53%	2,421,476	(1,220,938)	-50%
Equity interest in income/loss of joint ventures	2,378,338	1,249,284	1,129,054	90%	5,084,661	(2,706,323)	-53%
Net inc/dec in fair value of derivative instrument	(545,865)	0	(545,865)	-100%	(396,113)	(149,752)	38%
Other, net	1,121,222	(365,010)	1,486,232	-407%	620,217	501,005	81%
<b>Net Non Operating Revenue/Expenses</b>	<b>(120,371,957)</b>	<b>4,149,235</b>	<b>(124,521,192)</b>	<b>-3001%</b>	<b>17,285,354</b>	<b>(137,657,311)</b>	<b>-796%</b>
<b>Net Profit</b>	<b>(165,528,564)</b>	<b>16,111,946</b>	<b>(181,640,510)</b>	<b>-1127%</b>	<b>34,393,336</b>	<b>(199,921,900)</b>	<b>-581%</b>



# UW Health YTD Operating Margin – March 31, 2020



# Summary of Enterprise-wide YTD March 31, 2020 Operating Results

	Actual Mar_YTD- FY20	Budget Mar_YTD- FY20	Variance vs. Budget	Var. % vs. Budget	Actual Mar_YTD- FY19	Variance vs. PY	Var. % vs. PY
<b>TOTAL OPERATING REVENUE</b>							
Net patient service revenue	2,586,077,454	2,574,481,189	11,596,265	0%	2,397,973,803	188,103,651	8%
Other operating revenues	67,579,595	60,868,588	6,711,007	11%	89,417,343	(21,837,748)	-24%
<b>Total operating revenues, net</b>	<b>2,653,657,049</b>	<b>2,635,349,777</b>	<b>18,307,272</b>	<b>1%</b>	<b>2,487,391,146</b>	<b>166,265,903</b>	<b>7%</b>
<b>TOTAL OPERATING EXPENSES</b>							
Non-physician salaries and benefits	1,052,080,676	1,057,888,164	(5,807,488)	-1%	972,269,724	79,810,952	8%
Physician salaries and benefits	383,069,755	368,378,618	14,691,137	4%	364,094,334	18,975,421	5%
<b>Salaries and benefits</b>	<b>1,435,150,431</b>	<b>1,426,266,782</b>	<b>8,883,649</b>	<b>1%</b>	<b>1,336,364,058</b>	<b>98,786,373</b>	<b>7%</b>
Other expenses	49,268,550	47,210,504	2,058,046	4%	42,189,105	7,079,445	17%
Purchased services and agency costs	179,340,456	163,783,562	15,556,894	9%	157,450,870	21,889,586	14%
Medical materials and supplies	183,881,134	171,177,812	12,703,322	7%	169,339,666	14,541,468	9%
Pharmaceuticals	400,174,079	379,403,203	20,770,876	5%	334,144,696	66,029,383	20%
Interest expense	19,354,946	21,905,088	(2,550,142)	-12%	18,918,232	436,714	2%
Depreciation and amortization	87,604,961	92,565,968	(4,961,007)	-5%	88,584,756	(979,795)	-1%
Public aid assessment	43,196,643	44,928,025	(1,731,382)	-4%	43,386,831	(190,188)	0%
Facilities and equipment	147,260,935	152,817,472	(5,556,537)	-4%	133,629,042	13,631,893	10%
Nonoperating expenses - academic support	54,466,512	54,707,780	(241,268)	0%	54,815,119	(348,607)	-1%
<b>Net Operating Expenses</b>	<b>2,599,698,647</b>	<b>2,554,766,196</b>	<b>44,932,451</b>	<b>2%</b>	<b>2,378,822,375</b>	<b>220,876,272</b>	<b>9%</b>
<b>Income from operations</b>	<b>53,958,402</b>	<b>80,583,581</b>	<b>(26,625,179)</b>	<b>-33%</b>	<b>108,568,771</b>	<b>(54,610,369)</b>	<b>-50%</b>
<b>NON-OPERATING REVENUE/EXPENSES</b>							
investments	(130,953,454)	6,267,339	(137,220,793)	-2189%	6,164,906	(137,118,360)	-2224%
Investment income	32,238,741	23,117,308	9,121,433	39%	16,572,728	15,666,013	95%
Equity interest in income/loss of joint ventures	19,462,234	11,243,561	8,218,673	73%	17,079,598	2,382,636	14%
Net inc/dec in fair value of derivative instrument	(1,393,126)	0	(1,393,126)	-100%	(578,123)	(815,003)	141%
Other, net	7,409,306	(2,472,377)	9,881,683	-400%	4,467,750	2,941,556	66%
<b>Net Non Operating Revenue/Expenses</b>	<b>(73,236,299)</b>	<b>38,155,831</b>	<b>(111,392,130)</b>	<b>-292%</b>	<b>43,706,859</b>	<b>(116,943,158)</b>	<b>-268%</b>
<b>Net Profit</b>	<b>(19,277,897)</b>	<b>118,739,412</b>	<b>(138,017,309)</b>	<b>-116%</b>	<b>152,275,630</b>	<b>(171,553,527)</b>	<b>-113%</b>

# Enterprise-wide March 31, 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>	↑	2.0%	2.6%	3.0%
<b>Total Margin</b>	↑	-0.7%	4.5%	5.8%
<b>Days Cash on Hand * (including Academic Support)</b>	↑	200	243	234
<b>Days in Accounts Receivable **</b>	↓	44	48	48
<b>Long Term Debt to Capitalization</b>	↓	24.0%	29.2%	27.7%
<b>Operating Cash Flow</b>	↑	6.1%	8.7%	8.3%
<b>Cash-to-Debt</b>	↑	249.8%	187.7%	206.7%

\* excludes provision for bad debt and retiree health insurance

\*\* average for 12 months

(1) S&P's 2017 financial ratios based on 35 obligators rated "AA-" by S&P. Based on 2017 audited financials.

(2) Moody's 2017 financial ratios based on 37 "Aa3" rated hospitals. Based on 2017 audited financials.

# Summary of Enterprise-wide YTD March 31, 2020 Balance Sheet

	UWHCA	UWMF	Total UWHCA and UWMF	Discrete Components	UW Health Consolidated
Cash & Investments					
Unrestricted	1,112,527,054	348,527,306	1,461,054,360	344,827,579	1,805,881,939
Restricted by Trustee & Donors	26,997,379	-	26,997,379	65,022,827	92,020,206
Accounts Receivable	284,542,748	92,223,644	376,766,392	67,034,802	443,801,194
Property, Plant & Equipment, Net	779,743,879	70,904,761	850,648,640	399,553,384	1,243,327,012
Other Assets & Deferred Outflows of Resources	1,178,653,527	400,456,762	851,584,170	34,574,885	684,581,229
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$ 3,382,464,587</b>	<b>\$ 912,112,473</b>	<b>\$ 3,567,050,941</b>	<b>\$ 911,013,477</b>	<b>\$ 4,269,611,580</b>
Current Liabilities	635,320,903	533,757,283	441,552,067	127,236,643	376,764,853
Long-term Debt & Deferred Inflows of Resources	1,125,209,079	51,305,000	1,176,514,079	257,370,906	1,433,884,985
Net Position					
Unrestricted	1,457,496,312	327,050,190	1,784,546,502	517,373,825	2,285,491,346
Restricted	164,438,293	-	164,438,293	9,032,103	173,470,396
<b>Total Liabilities, Deferred Inflows of Resources &amp; Net Position</b>	<b>\$ 3,382,464,587</b>	<b>\$ 912,112,473</b>	<b>\$ 3,567,050,941</b>	<b>\$ 911,013,477</b>	<b>\$ 4,269,611,580</b>

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