



UWHCA Finance Committee

June 25, 2020, 9:00 - 11:00 AM

Via WebEx: <https://uwhealth.webex.com/uwhealth/onstage/g.php?MTID=ed96f6b1a412ff5cb2ab90acd6c5eee3e>

Meeting number: 120 126 3026 // Password: 062520

Telephone: +1-415-655-0003 US TOLL // Access code: 120 126 3026

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UWHCA Finance Committee - June 25, 2020 - Public Meeting Notice

Agenda

-
- 9:00 AM **I. Call to Order**
Mr. Kenneth Mount
-
- 9:02 AM **II. Meeting Minutes - Open Session** Approval
Mr. Kenneth Mount
-
- 9:05 AM **III. UW Health Consolidated Financials - YTD May 31, 2020** Report/Discussion
Mr. Robert Flannery, Ms. Jodi Vitello, Ms. Patti DeWane

Presentation - UW Health Consolidated Financials - YTD May 31, 2020

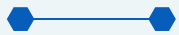
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- 9:15 AM **IV. Closed Session**
- Motion to enter into closed session pursuant to Wisconsin Statutes section 19.85(1)(e) for the discussion of the following confidential strategic matters, which for competitive reasons require a closed session: review and approval of closed session minutes, YTD financial and budgetary report, COVID-19 financial update, FY21 operating budget update, operating margin improvement opportunity, and FY21 capital budget proposal; and pursuant to Wisconsin Statutes section 19.85(1)(g) to confer with legal counsel regarding these and other matters.

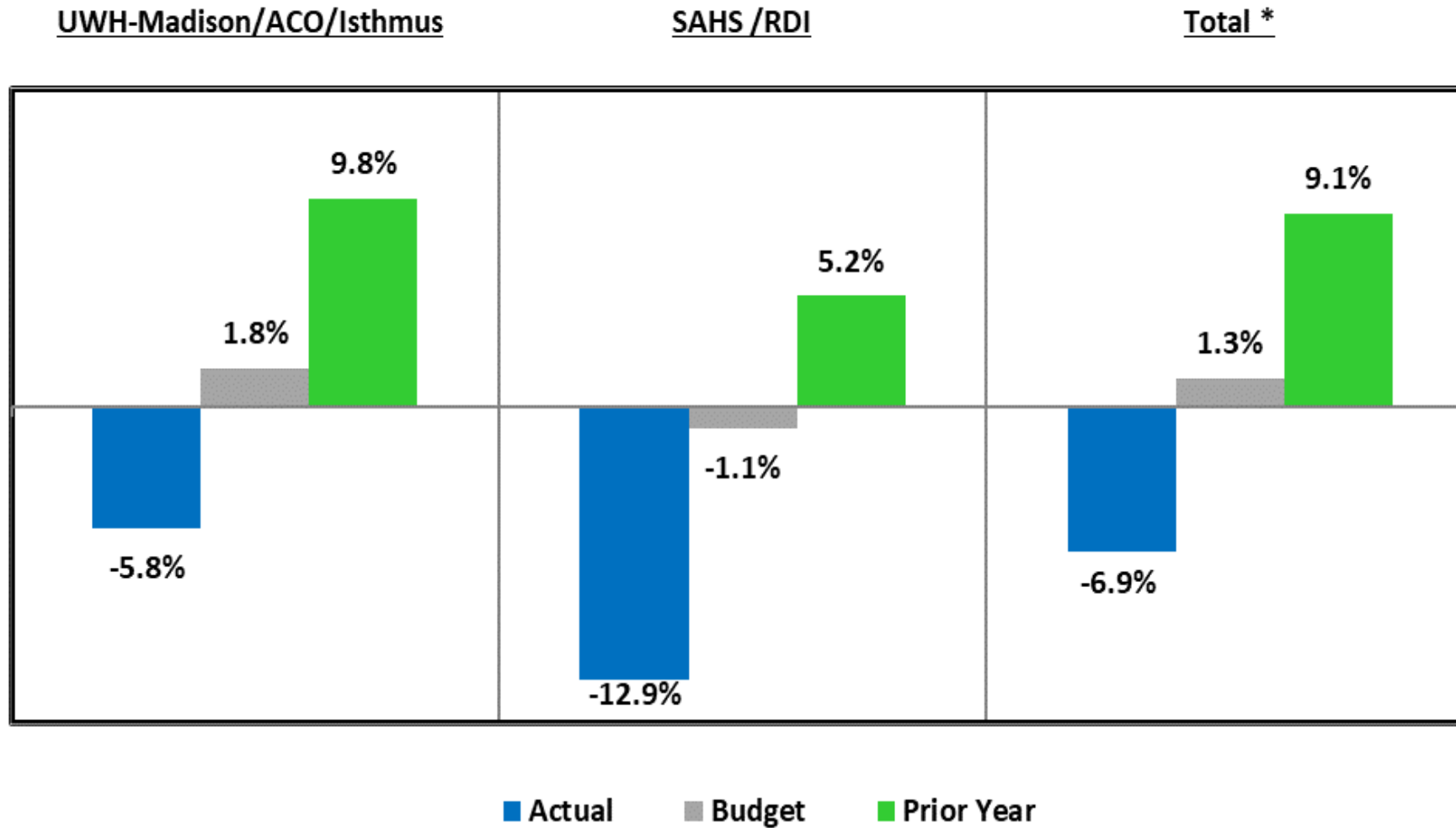
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- 11:00 AM **V. Adjourn**



UW Health Consolidated Financials May 31, 2020



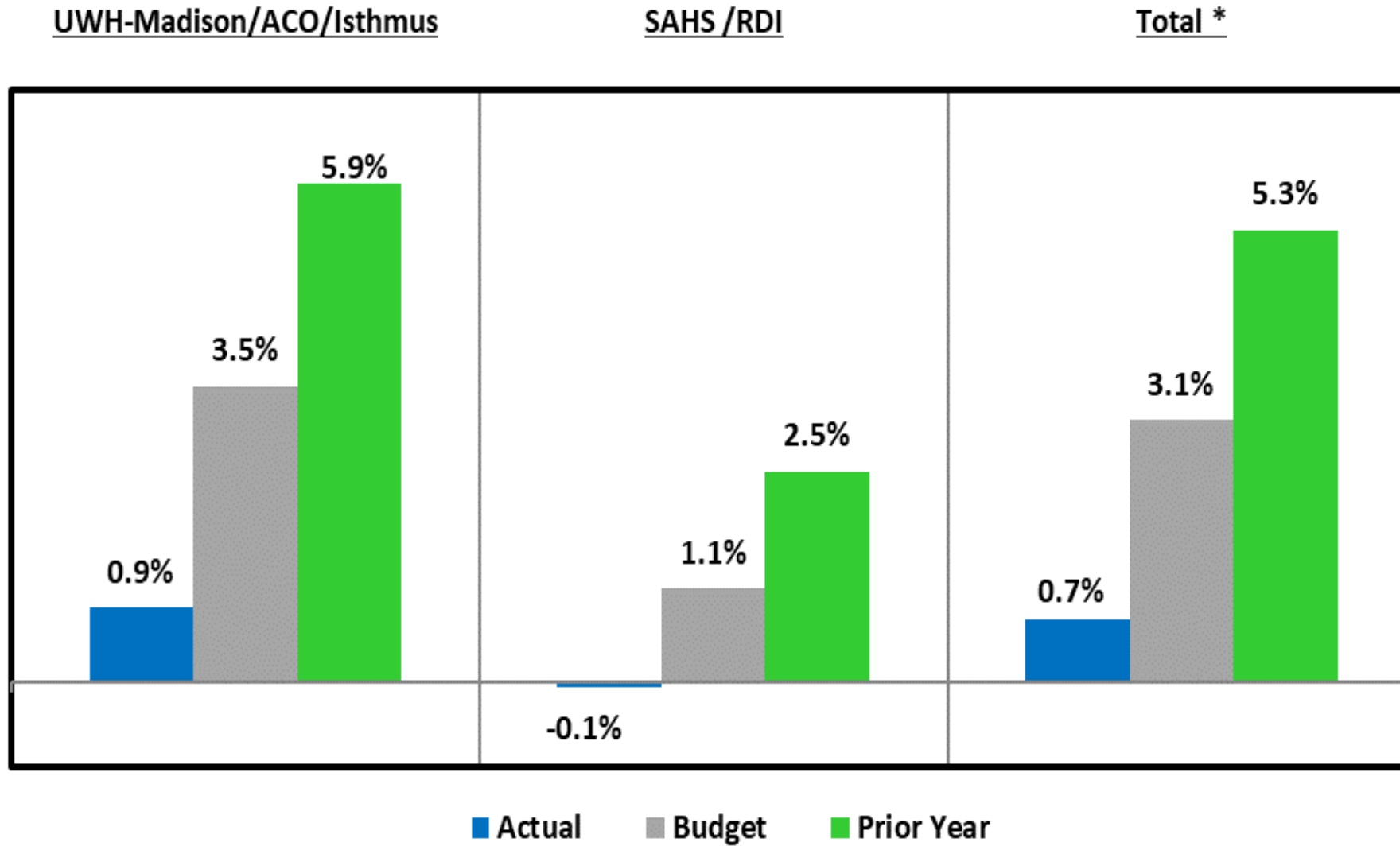
UW Health Current Month Operating Margin – May 31, 2020



Summary of Enterprise-wide May 31, 2020 Operating Results

	<u>Actual</u> <u>May- FY20</u>	<u>Budget</u> <u>May- FY20</u>	<u>Variance</u> <u>vs. Budget</u>	<u>Var. %</u> <u>vs. Budget</u>	<u>Actual</u> <u>May- FY19</u>	<u>Variance</u> <u>vs. PY</u>	<u>Var. %</u> <u>vs. PY</u>
<u>TOTAL OPERATING REVENUE</u>							
Net patient service revenue	234,025,458	283,653,547	(49,628,089)	-17%	297,078,762	(62,976,483)	-21%
Other operating revenues	6,112,270	6,630,717	(518,447)	-8%	10,950,907	(4,759,417)	-43%
Total operating revenues, net	240,137,728	290,284,264	(50,146,536)	-17%	308,029,669	(67,735,900)	-22%
<u>TOTAL OPERATING EXPENSES</u>							
Non-physician salaries and benefits	102,411,571	121,311,116	(18,899,545)	-16%	124,323,558	10,989,576	9%
Physician salaries and benefits	37,789,788	41,081,619	(3,291,831)	-8%	27,036,131	(10,754,149)	-40%
Salaries and benefits	140,201,359	162,392,735	(22,191,376)	-14%	151,359,689	235,427	0%
Other expenses	1,587,510	5,256,120	(3,668,610)	-70%	4,653,946	3,565,825	77%
Purchased services and agency costs	19,053,711	18,356,716	696,995	4%	19,252,103	10,507,252	55%
Medical materials and supplies	16,149,600	19,057,158	(2,907,558)	-15%	20,614,948	4,465,347	22%
Pharmaceuticals	42,856,985	40,938,498	1,918,487	5%	44,729,561	1,872,576	4%
Interest expense	1,888,908	2,403,425	(514,517)	-21%	2,305,838	493,606	21%
Depreciation and amortization	9,450,786	10,233,056	(782,270)	-8%	11,634,973	2,184,188	19%
Public aid assessment	4,799,627	4,992,003	(192,376)	-4%	4,829,727	30,100	1%
Facilities and equipment	14,411,996	16,784,082	(2,372,086)	-14%	13,962,902	(449,094)	-3%
Nonoperating expenses - academic support	6,259,229	6,078,642	180,587	3%	6,631,817	372,588	6%
Net Operating Expenses	256,659,711	286,492,435	(29,832,724)	-10%	279,975,504	23,277,815	8%
Income from operations	(16,521,983)	3,791,829	(20,313,812)	-536%	28,054,165	(91,013,715)	-324%
<u>NON-OPERATING REVENUE/EXPENSES</u>							
Net increase/decrease in fair value of investments	37,365,611	696,371	36,669,240	5266%	(27,737,771)	65,103,383	-235%
Investment income	2,435,155	2,568,590	(133,435)	-5%	1,485,798	453,623	31%
Equity interest in income/loss of joint ventures	(2,497,698)	1,249,284	(3,746,982)	-300%	3,154,785	(2,461,534)	-78%
Net inc/dec in fair value of derivative instrument	31,348	0	31,348	100%	(540,167)	571,515	-106%
Other, net	(152,456)	(231,917)	79,461	-34%	(369,512)	384,544	-104%
Net Non Operating Revenue/Expenses	37,181,960	4,282,328	32,899,632	768%	(24,006,867)	64,051,531	-267%
Net Profit	20,659,977	8,074,157	12,585,820	156%	4,047,298	(26,962,184)	-666%

UW Health YTD Operating Margin – May 31, 2020



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

	Actual May_YTD- FY20	Budget May_YTD- FY20	Variance vs. Budget	Var. % vs. Budget	Actual May_YTD- FY19	Variance vs. PY	Var. % vs. PY
TOTAL OPERATING REVENUE							
Net patient service revenue	3,024,480,775	3,149,554,229	(125,073,454)	-4%	2,987,090,376	37,390,399	1%
Other operating revenues	125,775,937	73,453,500	52,322,437	71%	110,285,021	15,490,916	14%
Total operating revenues, net	3,150,256,712	3,223,007,729	(72,751,017)	-2%	3,097,375,397	52,881,315	2%
TOTAL OPERATING EXPENSES							
Non-physician salaries and benefits	1,262,406,056	1,297,322,239	(34,916,183)	-3%	1,326,193,893	(63,787,837)	-5%
Physician salaries and benefits	459,663,155	450,449,344	9,213,811	2%	308,871,812	150,791,343	49%
Salaries and benefits	1,722,069,211	1,747,771,583	(25,702,372)	-1%	1,635,065,705	87,003,506	5%
Other expenses	54,510,375	57,516,936	(3,006,561)	-5%	56,005,524	(1,495,149)	-3%
Purchased services and agency costs	226,378,255	200,301,943	26,076,312	13%	194,036,059	32,342,196	17%
Medical materials and supplies	211,024,071	209,455,383	1,568,688	1%	209,142,671	1,881,400	1%
Pharmaceuticals	484,592,174	460,385,503	24,206,671	5%	418,533,579	66,058,595	16%
Interest expense	23,176,567	26,796,001	(3,619,434)	-14%	23,523,619	(347,052)	-1%
Depreciation and amortization	106,703,948	113,034,396	(6,330,448)	-6%	111,202,266	(4,498,318)	-4%
Public aid assessment	52,795,897	54,912,030	(2,116,133)	-4%	53,046,285	(250,388)	0%
Facilities and equipment	179,038,070	186,273,056	(7,234,986)	-4%	162,735,612	16,302,458	10%
Nonoperating expenses - academic support	66,712,794	66,865,064	(152,270)	0%	68,413,534	(1,700,740)	-2%
Net Operating Expenses	3,127,001,362	3,123,311,895	3,689,467	0%	2,931,704,854	195,296,508	7%
Income from operations	23,255,350	99,695,834	(76,440,484)	-77%	165,670,543	(142,415,193)	-86%
NON-OPERATING REVENUE/EXPENSES							
investments	(35,338,460)	7,660,081	(42,998,541)	-561%	4,632,224	(39,970,684)	-863%
Investment income	49,448,296	28,254,487	21,193,809	75%	21,479,239	27,969,057	130%
Equity interest in income/loss of joint ventures	21,378,448	13,742,130	7,636,318	56%	22,261,095	(882,647)	-4%
Net inc/dec in fair value of derivative instrument	(1,456,715)	0	(1,456,715)	#DIV/0!	(1,004,244)	(452,471)	45%
Other, net	8,293,660	(3,027,961)	11,321,621	-374%	4,350,129	3,943,531	91%
Net Non Operating Revenue/Expenses	42,325,229	46,628,737	(4,303,508)	-9%	51,718,443	(9,393,214)	-18%
Net Profit	65,580,579	146,324,571	(80,743,992)	-55%	217,388,986	(151,808,407)	-70%

Enterprise-wide May 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)	↑	0.7%	2.6%	3.0%
Total Margin	↑	2.1%	4.5%	5.8%
Days Cash on Hand * (including Academic Support)	↑	249 ^	243	234
Days in Accounts Receivable **	↓	37	48	48
Long Term Debt to Capitalization	↓	23.2%	29.2%	27.7%
Operating Cash Flow	↑	4.9%	8.7%	8.3%
Cash-to-Debt	↑	310.2%	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.

^ The significant increase to DCOH is related to the advanced received from Medicare, which is over 23 days and some rebounds in the investment portfolio

Balance Sheet – FYTD May 31, 2020

	UWHCA	UWMF	Total UWHCA and UWMF	Discrete Components	UW Health Consolidated
Cash & Investments					
Unrestricted	1,328,839,014	472,510,145	1,801,349,159	412,852,015	2,214,201,174
Restricted by Trustee & Donors	20,850,690	-	20,850,690	61,707,174	82,557,864
Accounts Receivable	251,001,162	79,384,478	330,385,640	51,102,516	381,488,156
Property, Plant & Equipment, Net	780,640,324	70,124,089	850,764,413	403,768,936	1,246,826,682
Other Assets & Deferred Outflows of Resources	1,276,097,504	414,919,023	805,111,384	32,650,784	640,887,605
Total Assets & Deferred Outflows of Resources	\$ 3,657,428,694	\$ 1,036,937,735	\$ 3,808,461,286	\$ 962,081,424	\$ 4,565,961,482
Current Liabilities	839,808,166	673,485,400	627,388,424	160,125,896	596,343,184
Long-term Debt & Deferred Inflows of Resources	1,116,704,526	51,305,000	1,168,009,526	258,145,471	1,426,154,997
Net Position					
Unrestricted	1,530,628,861	312,147,335	1,842,776,196	534,646,105	2,364,012,207
Restricted	170,287,141	-	170,287,141	9,163,952	179,451,093
Total Liabilities, Deferred Inflows of Resources & Net Position	\$ 3,657,428,694	\$ 1,036,937,735	\$ 3,808,461,286	\$ 962,081,424	\$ 4,565,961,482

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