



## UWHCA Finance Committee

May 6, 2021, 10:00 - 11:30 AM

WebEx: <https://uwhealth.webex.com/uwhealth/onstage/g.php?MTID=ef9f5d2da26e0e7bf54e0eb8f48a2fe8f>

Meeting number: 120 680 5282 // Password: 050621

Telephone: 1-415-655-0003 US TOLL // Access code: 120 680 5282

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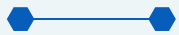
## UWHCA Finance Committee - May 6, 2021 - Public Meeting Notice

### Agenda

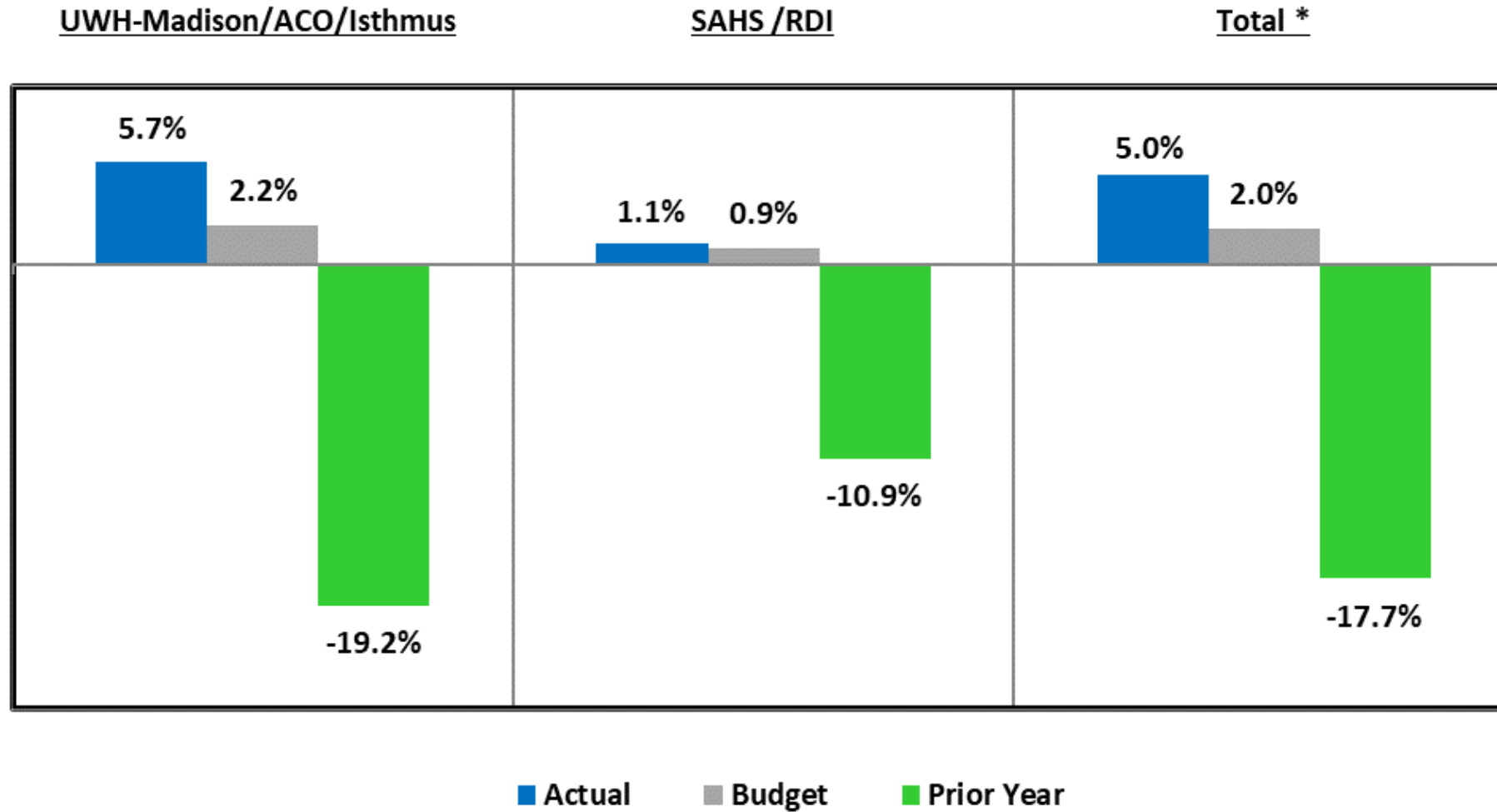
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|----------|---|-------------------|
| 10:00 AM | <hr/> <p>1. Call to Order<br/>Mr. Kenneth Mount</p>   |                   |
| 10:00 AM | <hr/> <p>2. Meeting Minutes - Open Session<br/>Mr. Kenneth Mount</p>  | Approval          |
| 10:02 AM | <hr/> <p>3. UW Health Consolidated Financials - YTD March 31, 2021<br/>Mr. Robert Flannery, Ms. Jodi Vitello, Ms. Patti DeWane</p>  | Report/Discussion |
|          | <p>1. Presentation - UW Health Consolidated Financials -<br/>YTD March 31, 2021</p>   | Page 3            |
| 10:12 AM | <hr/> <p>4. Closed Session</p> <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 minutes; discussion of FY22 UWHC hospital rate increase, discussion of FY22 UW Health-Madison Compensation Plan; UW Health Pharmacy financial update; 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/> <p>5. Return To Open Session</p>  |                   |
| 11:29 AM | <hr/> <p>6. ACTION: FY22 UWHC Hospital Rate Increase<br/>Mr. Kenneth Mount<br/>(Motion to endorse approval of FY22 UWHC hospital rate increase to UWHC Authority Board of Directors as discussed in Closed Session)</p>   | Endorsement       |
| 11:30 AM | <hr/> <p>7. Adjourn</p>   |                   |



# **UW Health Consolidated Financials March 31, 2021**



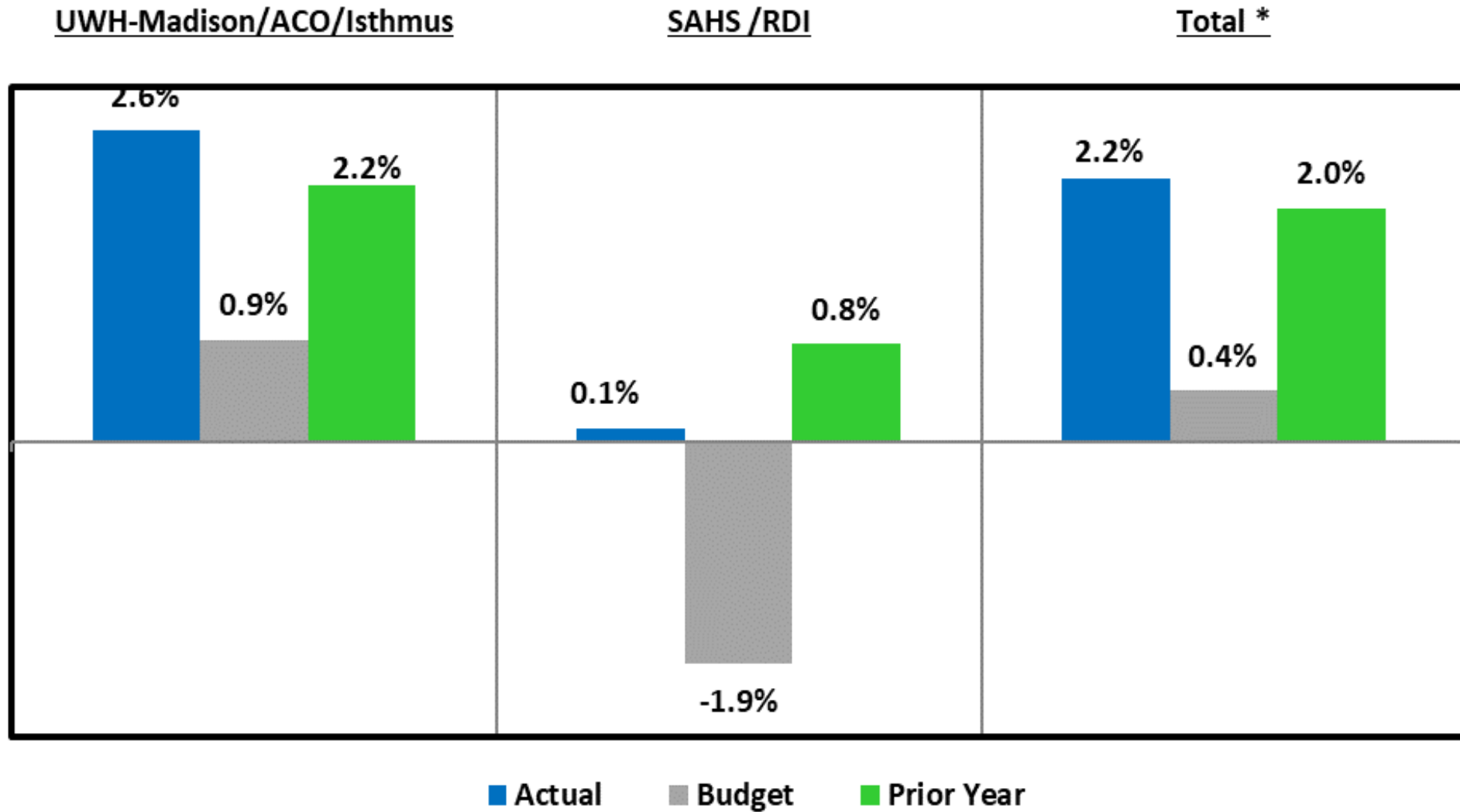
# UW Health Current Month Operating Margin – March 31, 2021



# Summary of Enterprise-wide March 31, 2021 Operating Results

	Actual March- FY21	Budget March- FY21	Variance vs. Budget	Var. % vs. Budget	Actual March- FY20	Variance vs. PY	Var. % vs. PY
<b><u>TOTAL OPERATING REVENUE</u></b>							
Net patient service revenue	331,037,831	308,472,138	22,565,693	7%	249,159,398	81,878,433	33%
Other operating revenues	7,152,210	7,841,285	(689,075)	-9%	6,461,741	690,469	11%
<b>Total operating revenues, net</b>	<b>338,190,041</b>	<b>316,313,423</b>	<b>21,876,618</b>	<b>7%</b>	<b>255,621,139</b>	<b>82,568,902</b>	<b>32%</b>
<b><u>TOTAL OPERATING EXPENSES</u></b>							
Salaries and benefits	176,924,631	174,013,286	2,911,345	2%	166,560,323	10,364,308	6%
Other expenses	1,841,467	3,654,425	(1,812,958)	-50%	6,984,674	(5,143,207)	-74%
Purchased services and agency costs	20,389,081	21,660,511	(1,271,430)	-6%	19,527,052	862,029	4%
Medical materials and supplies	25,598,736	22,589,354	3,009,382	13%	21,903,897	3,694,839	17%
Pharmaceuticals	56,508,266	46,907,940	9,600,326	20%	45,725,832	10,782,434	24%
Interest expense	1,935,682	2,082,412	(146,730)	-7%	2,390,100	(454,418)	-19%
Depreciation and amortization	9,289,754	9,938,221	(648,467)	-7%	9,696,914	(407,160)	-4%
Public aid assessment	5,103,004	5,160,502	(57,498)	-1%	4,799,627	303,377	6%
Facilities and equipment	17,207,076	18,089,009	(881,933)	-5%	17,202,275	4,801	0%
Nonoperating expenses - academic support	6,431,928	5,873,249	558,679	10%	5,987,049	444,879	7%
<b>Net Operating Expenses</b>	<b>321,229,625</b>	<b>309,968,909</b>	<b>11,260,716</b>	<b>4%</b>	<b>300,777,743</b>	<b>20,451,882</b>	<b>7%</b>
<b>Income from operations</b>	<b>16,960,416</b>	<b>6,344,514</b>	<b>10,615,902</b>	<b>167%</b>	<b>(45,156,604)</b>	<b>62,117,020</b>	<b>-138%</b>
<b><u>NON-OPERATING REVENUE/EXPENSES</u></b>							
Net increase/decrease in fair value of investments	13,583,100	310,693	13,272,407	4272%	(124,526,190)	138,109,290	-111%
Investment income	5,779,843	2,286,058	3,493,785	153%	1,200,538	4,579,305	381%
Equity interest in income/loss of joint ventures	515,053	1,490,518	(975,465)	-65%	2,378,337	(1,863,284)	-78%
Net inc/dec in fair value of derivative instrument	289,130	0	289,130	100%	(545,865)	834,995	-153%
Other, net	(1,456,059)	420,105	(1,876,164)	-447%	1,121,222	(2,577,281)	-230%
<b>Net Non Operating Revenue/Expenses</b>	<b>18,711,067</b>	<b>4,507,374</b>	<b>14,203,693</b>	<b>315%</b>	<b>(120,371,958)</b>	<b>139,083,025</b>	<b>-116%</b>
<b>Net Profit</b>	<b>35,671,483</b>	<b>10,851,888</b>	<b>24,819,595</b>	<b>229%</b>	<b>(165,528,562)</b>	<b>201,200,045</b>	<b>-122%</b>

# UW Health YTD Operating Margin – March 31, 2021



# Summary of Enterprise-wide YTD March 31, 2021 Operating Results

	Actual Mar_YTD- FY21	Budget Mar_YTD- FY21	Variance vs. Budget	Var. % vs. Budget	Actual Mar_YTD- FY20	Variance vs. PY	Var. % vs. PY
<b><u>TOTAL OPERATING REVENUE</u></b>							
Net patient service revenue	2,726,524,896	2,687,847,740	38,677,156	1%	2,586,077,454	140,447,442	5%
Other operating revenues	72,489,185	75,060,261	(2,571,076)	-3%	67,921,800	4,567,385	7%
<b>Total operating revenues, net</b>	<b>2,799,014,081</b>	<b>2,762,908,001</b>	<b>36,106,080</b>	<b>1%</b>	<b>2,653,999,254</b>	<b>145,014,827</b>	<b>5%</b>
<b><u>TOTAL OPERATING EXPENSES</u></b>							
Salaries and benefits	1,531,120,899	1,530,855,774	265,125	0%	1,435,150,430	95,970,469	7%
Other expenses	20,555,928	28,193,558	(7,637,630)	-27%	50,810,269	(30,254,341)	-60%
Purchased services and agency costs	171,273,587	202,235,490	(30,961,903)	-15%	179,682,660	(8,409,073)	-5%
Medical materials and supplies	201,705,052	205,544,062	(3,839,010)	-2%	183,881,134	17,823,918	10%
Pharmaceuticals	463,185,446	420,077,441	43,108,005	10%	400,174,079	63,011,367	16%
Interest expense	17,236,671	18,972,976	(1,736,305)	-9%	19,354,946	(2,118,275)	-11%
Depreciation and amortization	83,776,776	85,609,539	(1,832,763)	-2%	87,604,961	(3,828,185)	-4%
Public aid assessment	45,543,363	46,444,518	(901,155)	-2%	43,196,643	2,346,720	5%
Facilities and equipment	148,644,906	161,324,836	(12,679,930)	-8%	147,260,935	1,383,971	1%
Nonoperating expenses - academic support	53,712,324	51,891,672	1,820,652	4%	54,466,512	(754,188)	-1%
<b>Net Operating Expenses</b>	<b>2,736,754,952</b>	<b>2,751,149,866</b>	<b>(14,394,914)</b>	<b>-1%</b>	<b>2,601,582,569</b>	<b>135,172,383</b>	<b>5%</b>
<b>Income from operations</b>	<b>62,259,129</b>	<b>11,758,135</b>	<b>50,500,994</b>	<b>429%</b>	<b>52,416,685</b>	<b>9,842,444</b>	<b>19%</b>
<b><u>NON-OPERATING REVENUE/EXPENSES</u></b>							
Net increase/decrease in fair value of investments	190,612,518	2,796,237	187,816,281	6717%	(130,953,454)	321,565,972	-246%
Investment income	43,354,491	24,174,521	19,179,970	79%	32,238,741	11,115,750	34%
Equity interest in income/loss of joint ventures	11,354,882	11,839,004	(484,122)	-4%	21,961,022	(10,606,140)	-48%
Net inc/dec in fair value of derivative instrument	1,634,923	0	1,634,923	0%	(1,393,126)	3,028,049	-217%
Other, net	8,356,163	(2,991,822)	11,347,985	-379%	8,730,983	(374,820)	-4%
<b>Net Non Operating Revenue/Expenses</b>	<b>255,312,977</b>	<b>35,817,940</b>	<b>219,495,037</b>	<b>613%</b>	<b>(69,415,834)</b>	<b>324,728,811</b>	<b>-468%</b>
<b>Net Profit</b>	<b>317,572,106</b>	<b>47,576,075</b>	<b>269,996,031</b>	<b>568%</b>	<b>(16,999,149)</b>	<b>334,571,255</b>	<b>-1968%</b>



Favorable Variance



Unfavorable Variance

# Enterprise-wide March 31, 2021 YTD Performance Ratios

	Healthcare System Industry Comparisons			
	Favorable Direction	FY 21	S&P "AA-" Rated (1)	Moody's "Aa3" Rated (2)
<b>Operating Margin*</b>	↑	2.2%	3.0%	3.6%
<b>Total Margin</b>	↑	10.4%	5.5%	6.6%
<b>Days Cash on Hand*</b>	↑	289 ^	259	264
<b>Days in Accounts Receivable **</b>	↓	44	46	47
<b>Long Term Debt to Capitalization</b>	↓	19.8%	27.4%	24.9%
<b>Operating Cash Flow</b>	↑	5.8%	7.2%	9.4%
<b>Cash-to-Debt</b>	↑	374.3%	224.7%	237.3%

\* excludes provision for bad debt and retiree health insurance, includes academic support

\*\* 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 – March 31, 2021

	UWHCA	UWMF	ACO/Isthmus	Total UWHCA and UWMF	Discrete Components	UW Health Consolidated
Cash & Investments						
Unrestricted	1,623,915,994	576,178,934	4,397,514	2,204,492,442	525,613,171	<b>2,730,105,613</b>
Restricted by Trustee & Donors	21,901,916	-	-	21,901,916	30,852,521	<b>52,754,437</b>
Accounts Receivable	294,592,729	103,140,277	-	397,733,006	75,338,454	<b>473,071,460</b>
Property, Plant & Equipment, Net	767,492,722	64,971,528	8,869	832,473,119	420,513,825	<b>1,241,091,135</b>
Other Assets & Deferred Outflows of Resources	1,704,158,748	609,972,843	386,787	966,732,687	74,895,654	<b>796,350,046</b>
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$ 4,412,062,108</b>	<b>\$ 1,354,263,582</b>	<b>\$ 4,793,170</b>	<b>\$ 4,423,333,170</b>	<b>\$ 1,127,213,625</b>	<b>\$ 5,293,372,690</b>
Current Liabilities	1,073,686,563	961,475,467	1,255,419	692,169,510	241,689,882	<b>693,002,190</b>
Long-term Debt & Deferred Inflows of Resources	1,264,391,021	40,520,000	-	1,304,911,021	288,364,797	<b>1,593,275,818</b>
Net Position						
Unrestricted	2,034,415,185	352,268,115	3,537,751	2,386,683,300	587,515,807	<b>2,957,882,205</b>
Restricted	39,569,339	-	-	39,569,339	9,643,138	<b>49,212,477</b>
<b>Total Liabilities, Deferred Inflows of Resources &amp; Net Position</b>	<b>\$ 4,412,062,108</b>	<b>\$ 1,354,263,582</b>	<b>\$ 4,793,170</b>	<b>\$ 4,423,333,170</b>	<b>\$ 1,127,213,625</b>	<b>\$ 5,293,372,690</b>

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

## Key Takeaways

- We performed very strong to budget in the month of March. We had a positive variance by more than \$10M. Also strong compared to prior year, which was the first full month of COVID impact of cancelling procedures, etc.
- Volumes continue to lag in some areas to budget and prior year, but we continue to see higher acuity patients. For context, in February our case mix index for this FYTD was 2.41 compared to last FYTD of 2.23
- On the practice plan side, had the highest level of wRVU's over the last three years.
- On the Facility side, pharmacy saw strong revenue, which also explains the pharmaceuticals being more than \$9M unfavorable to budget.
- On the non-operating side, saw the investment portfolio's unrecognized gains grow \$13.6M for the month.