

# URMC FY 2019 Budget Kick-Off Session

December 1, 2017

MEDICINE *of* THE HIGHEST ORDER



UNIVERSITY *of*  
**ROCHESTER**  
MEDICAL CENTER

# Objectives

1. Updated results on the Medical Center's integrated financial budget  
*URMC Sr. Director of Finance Kathy Strojny*
2. Summary of environmental challenges we are facing and importance of our Business Improvement Plan process in FY19 and beyond  
*URMC CFO Adam Anolik*
3. New UR Budget system, next steps, divisional contacts, questions and answers  
*URMC Manager of Financial Reporting Sandy Torrell*

# Goals of an Integrated Financial Model

## Data

- View Medical Center as single portfolio organized by mission

## Investment

- Recognize need to generate sufficient patient care operating margin to support academic research and educational missions

## Culture

- Enhance system-wide thinking and prioritize strategic investments based on URMC vs. individual departmental and/or divisional impact

# Financial System Results for the Year Ending June 30, 2017

	Patient Care Excluding Affiliates	Patient Care Affiliates	Education	Research	Corporate	TOTAL
Operating Revenue	\$ 2,233,300	\$737,171	\$ 58,183	\$273,099	\$ 38,349	<b>\$ 3,340,102</b>
Operating Expense	\$ 2,037,809	\$719,760	\$ 53,496	\$294,734	\$ 79,008	<b>\$ 3,184,807</b>
Less: Allocations	\$ 100,783	\$ 7,430	\$ 11,353	\$ 9,634	\$(43,055)	<b>\$ 86,145</b>
<b>FY17 Actual Operating Margin (\$)</b>	<b>\$ 94,708</b>	<b>\$ 9,981</b>	<b>\$ (6,666)</b>	<b>\$ (31,269)</b>	<b>\$ 2,396</b>	<b>\$ 69,150</b>
<b>FY17 Budgeted Operating Margin (\$)</b>	<b>\$ 60,800</b>	<b>\$ 12,937</b>	<b>\$ (7,962)</b>	<b>\$ (38,792)</b>	<b>\$ (4,152)</b>	<b>\$ 22,831</b>
<b>Operating Margin Variance (\$)</b>	<b>\$ 33,908</b>	<b>\$ (2,956)</b>	<b>\$ 1,296</b>	<b>\$ 7,523</b>	<b>\$ 6,548</b>	<b>\$ 46,319</b>
<b>FY17 Actual Operating Margin (%)</b>	<b>4.24%</b>	<b>1.35%</b>	<b>-11.46%</b>	<b>-11.45%</b>	<b>6.25%</b>	<b>2.07%</b>
<b>FY17 Budgeted Operating Margin (%)</b>	<b>2.83%</b>	<b>1.84%</b>	<b>-13.94%</b>	<b>-14.52%</b>	<b>-12.84%</b>	<b>0.71%</b>
<b>Operating Margin Variance (%)</b>	<b>1.41%</b>	<b>-0.49%</b>	<b>2.48%</b>	<b>3.07%</b>	<b>19.08%</b>	<b>1.36%</b>

# Why at least a 2% Operating Margin for URMC?

- Importance to UR's Aa3 credit rating in order to keep cost of borrowing low
- Generates sufficient cash flow to maintain overall liquidity
- Drives the amount we can spend on capital
- Supports our ability to invest in the Strategic Plan, including new programs, faculty and staff recruitment, facility improvements and information technology
- Provides a discipline to prioritize investments with ROI

# What are the Pressures Impacting our Operating Margin?

- Continued reductions in governmental funding
  - CMS rule cutting 340B payments effective 1/1/18
  - Uncertainty around funding for Child Health Insurance Program
  - Changes or repeal of the Affordable Care Act
  - NIH and other grant funding constraints
  - Potential impact of tax reform on health care funding
- Impact of gain/risk sharing agreements through AHP
- Success of Epic Revenue Cycle go-live on March 4, 2018
- Need for resources to invest in capacity growth (inpatient and ambulatory)
- Primary care and regional expansion requests
- Recruitment of academic faculty
- Addressing Deferred Maintenance needs

# Aligning BIPs with Integrated Financial Platform

- Created centralized framework in the Health Sciences Division to manage all BIPs
  - Provides resources to help departments develop and execute BIPs
  - Sets parameters for BIPs initiatives to prevent duplicative or overstated impact.
  - Establishes mechanism to measure BIPs' successes
- Leadership and Core BIP teams review and finalize BIPs.
- Ensures all BIPs are incorporated into budgets of subsequent fiscal years.

# BIP Process...

## Submission

- Dept./Service line submits to BIP Core & Leadership Teams
- Evaluate BIP opportunity relative to Strategic Plan



## Development

- BIP Core team partners with Dept./Service line to develop business plan
- Identify Project leads
- Dashboard developed with project timeline



## Implementation

- Dashboard reporting to track status
- Structured process to track BIPs outside traditional budget process

### Core & Leadership Teams

- Comprised of financial and operations leadership teams.
- Provide departments with guidance and support through development to implementation:
  - Trouble-shoot obstacles and roadblocks
  - Coordinate cross-divisional aspects of business plans
  - Streamline critical requests (i.e. capital approval)
  - Structured reporting and terminology to develop consistent expectations

### Each BIP Assigned

- Executive Sponsor
- Operations Lead
- Finance Lead



# BIPs Timeline

**Chairs:** Provide a list of BIPs by 1/29

**Departments:** Analyze and forecast savings/ revenue growth for BIPs by 3/2

**Divisional Finance:** Reviews operating budget numbers *including BIPs* with departments in March.

- Goal: Complete before budget hearings

**Targets:** “Minimum of \$50M in Business Improvement Plans needed to accomplish 2% system-wide operating margin target”.

January:  
Idea Generation

Feb. - March 2:  
Financial Impact  
and Metrics



# FY 19 New UR Budget System

- UR Budget replaces the legacy Web Budget System
- Enhanced features and reporting capabilities
- Excel-like user interface
- Integrates with UR Financials with the help of Axiom Software
- Allows for BIP tracking and BIP budget integration
- Additional information and resources including training information, quick reference cards and FAQ's on the UR Budget website

# FY 19 Operating Budget Working Assumptions

- Staff Wage & Salary Program increase – 2%\*
  - Subject to University approval
- Changes in University's benefit rates\*
- Internal rents remain unchanged
- External rents increase – 3%
- Dependent tuition increase – 10%
- Malpractice insurance increase – 2%
- If you are recruiting new faculty or staff that will require incremental space needs, please contact Space Planning to determine capital and/or operating needs

\* System Generated

# FY 19 Operating Budget Calendar

Date	Action
January 2	Budget system opens
January 29	BIP Chair ideas due
December 5, 8, 11, 19, 21, 28 January 4, 5, 8, 11, 16, 22, 29 February 1, 6, 13, 16, 19, 22, 26, 27	Budget system workshops
March 2	Budget system closes
Month of March	Review of budgets & BIPs by Divisional Finance Offices
Month of April	Departmental budget hearings
Month of May	Budgets are finalized

# FY 19 Divisional Budget Contacts

## Eastman Institute for Oral Health (CM092)

Mike Winter 758-0977  
Jackie Dieffenbacher 758-0970

## Health Sciences (CM090):

Donna Dawley 758-0941  
Sandra Torrell 758-0985  
Spenser Cohen 758-0986

## Medical Faculty Group (CM091):

Lisa Clarke 756-4005  
Jill Hetterich 756-4003  
Kris Wood 758-0932  
Jason Kirkey 758-0933  
Maureen Gates 756-4013

## School of Medicine & Dentistry (CM040):

Jeff Bloss 758-2242

## School of Nursing (CM060):

Kelly Talarczyk 275-8842

## Strong Memorial Hospital (CM050):

Luke Haffen 785-5197  
Patty Stevens 785-5178