



UWHCA Finance Committee

November 18, 2021, 10:00 - 11:30 AM

WebEx: <https://uwhealth.webex.com/uwhealth/j.php?MTID=m1566eab5602980fe879c9ce20fca16e3>

Meeting number: 2622 907 2574 // Password: 111821

Telephone: 1-415-655-0003 US TOLL // Access code: 2622 907 2574

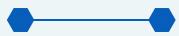
****ADVANCE MEETING MATERIALS ARE POSTED FOR REFERENCE. OCCASIONALLY, THE POSTED MATERIALS DO NOT REFLECT CHANGES MADE SHORTLY BEFORE OR DURING COMMITTEE MEETINGS. THE FULL COMMITTEE MINUTES ARE THE OFFICIAL RECORD OF FINAL COMMITTEE ACTION****

UWHCA Finance Committee - November 18, 2021 - Public Meeting Notice

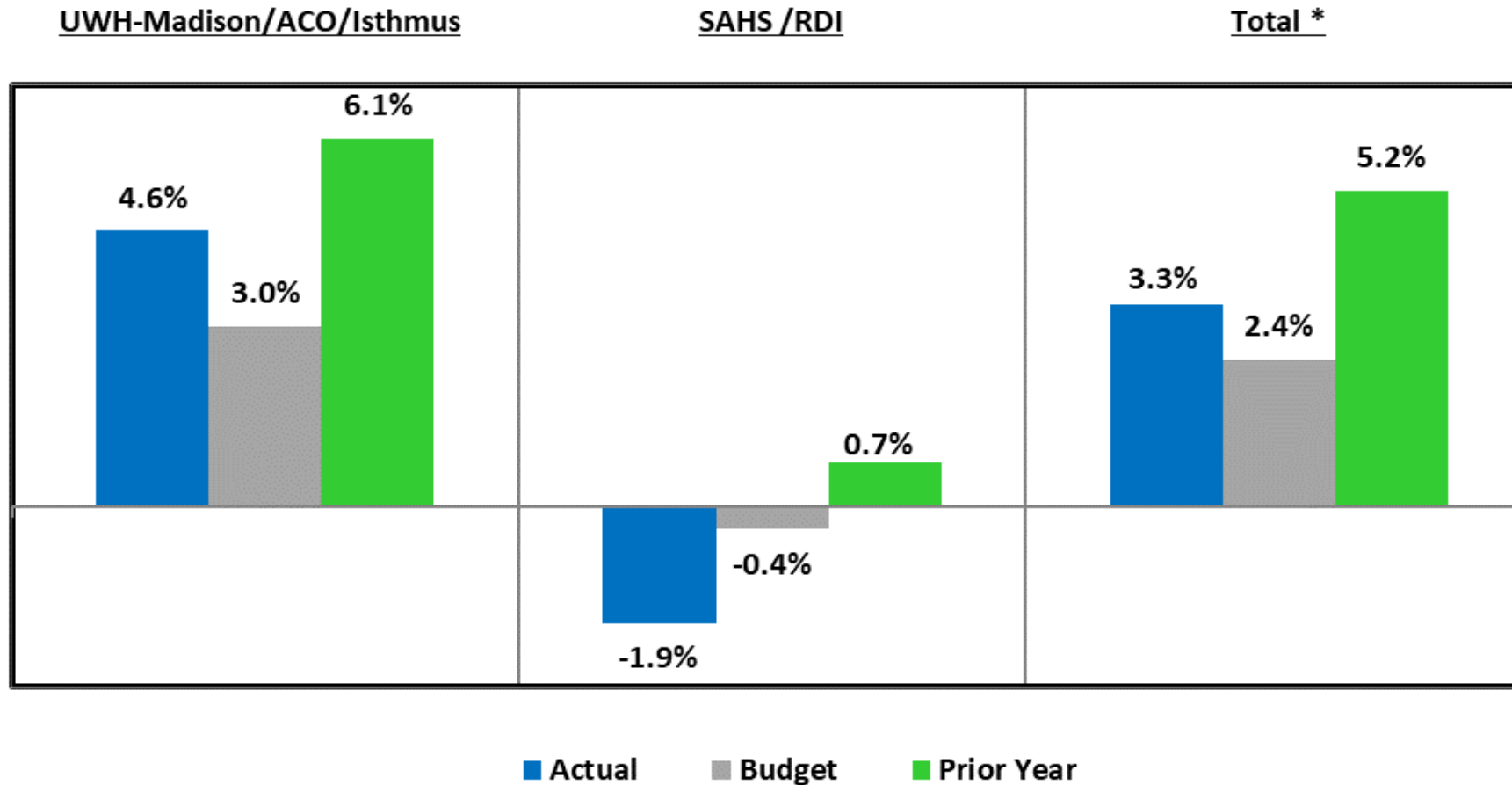
10:00 AM	<hr/> I. Call to Order Mr. Kenneth Mount	
10:01 AM	<hr/> II. Meeting Minutes - Open Session Mr. Kenneth Mount	Approval
10:02 AM	<hr/> III. UW Health Consolidated Financials - Preliminary YTD October 31, 2021 Mr. Robert Flannery, Ms. Jodi Vitello, Ms. Patti DeWane	Report/Discussion
	<p style="padding-left: 40px;">Presentation - UW Health Consolidated Financials - Preliminary YTD October 31, 2021</p>	3
10:12 AM	<hr/> 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; UW Health's telehealth and digital health update; and discussion of UW Health's workforce planning; and pursuant to Wisconsin Statutes section 19.85(1)(g) for obtaining legal advice relating to such matters.	
11:30 AM	<hr/> V. Adjourn	



UW Health Consolidated Financials October 31, 2021 – Preliminary Financials





UW Health Current Month Operating Margin – October 31, 2021

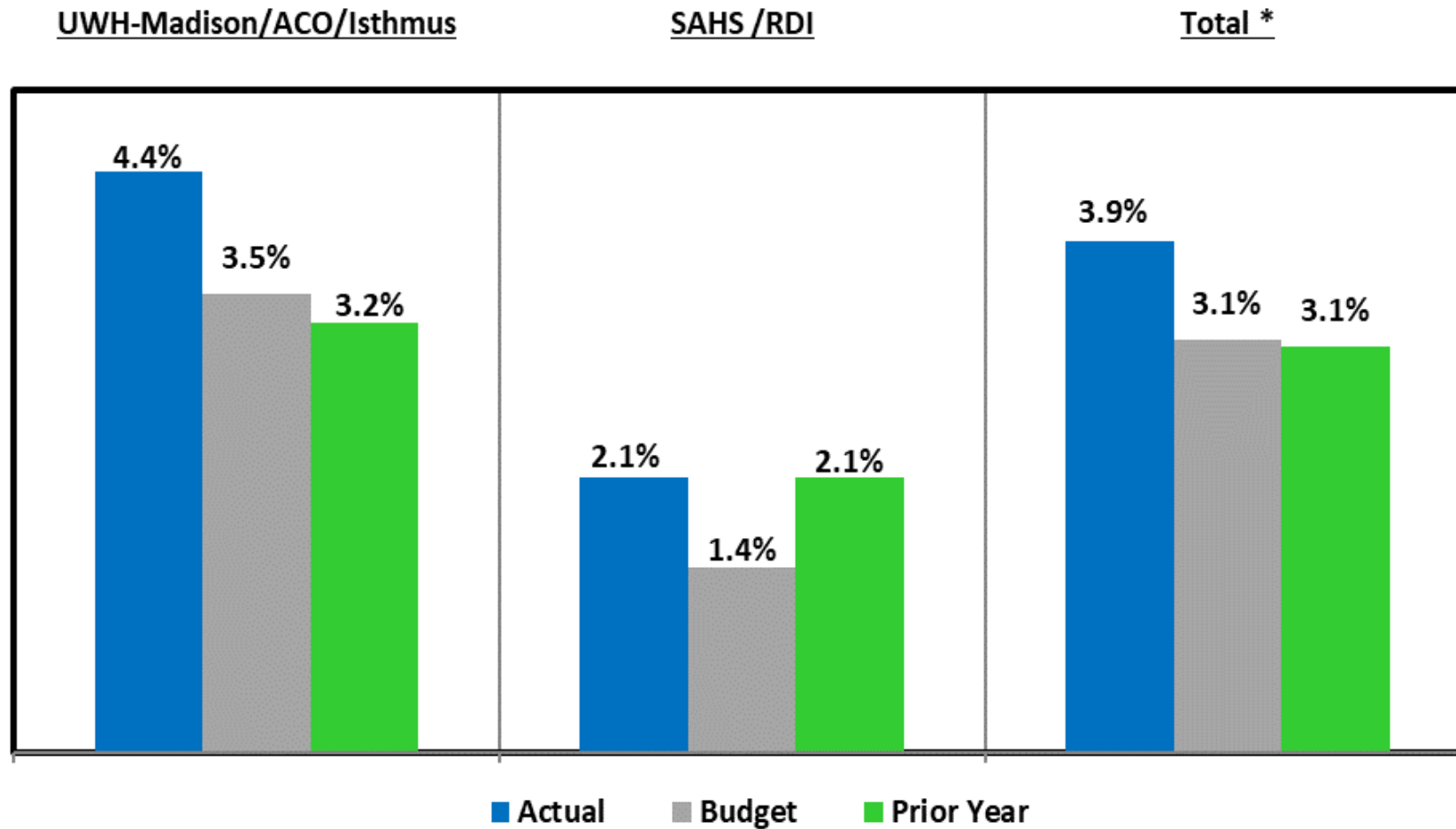


Summary of Enterprise-wide Preliminary Month of October 31, 2021 Operating Results

	Actual October- FY22	Budget October- FY22	Variance vs. Budget	Var. % vs. Budget	Actual October- FY22	Variance vs. PY	Var. % vs. PY
TOTAL OPERATING REVENUE							
Net patient service revenue	325,222,005	322,221,896	3,000,109	1%	313,727,928	11,494,077	4%
Other operating revenues	14,076,919	14,397,170	(320,251)	-2%	12,591,743	1,485,176	12%
Total operating revenues, net	339,298,924	336,619,066	2,679,858	1%	326,319,671	12,979,253	4%
TOTAL OPERATING EXPENSES							
Salaries and benefits	186,683,179	184,788,597	1,894,582	1%	172,753,938	13,929,241	8%
Other expenses	2,551,024	3,102,421	(551,397)	-18%	1,668,242	882,782	53%
Purchased services and agency costs	22,509,528	23,440,816	(931,288)	-4%	19,566,883	2,942,645	15%
Medical materials and supplies	25,784,151	24,585,021	1,199,130	5%	23,015,767	2,768,384	12%
Pharmaceuticals	50,236,265	51,361,272	(1,125,007)	-2%	53,695,926	(3,459,661)	-6%
Interest expense	2,401,205	1,896,233	504,972	27%	1,919,675	481,530	25%
Depreciation and amortization	11,083,912	8,991,129	2,092,783	23%	9,040,188	2,043,724	23%
Public aid assessment	5,179,069	5,176,667	2,402	0%	4,733,263	445,806	9%
Facilities and equipment	15,497,793	19,110,057	(3,612,264)	-19%	16,822,037	(1,324,244)	-8%
Nonoperating expenses - academic support	6,020,418	5,991,747	28,671	0%	5,987,222	33,196	1%
Net Operating Expenses	327,946,544	328,443,960	(497,416)	0%	309,203,141	18,743,403	6%
Income from operations	11,352,380	8,175,106	3,177,274	39%	17,116,530	(5,764,150)	-34%
NON-OPERATING REVENUE/EXPENSES							
Net increase/decrease in fair value of investments	30,985,494	411,325	30,574,169	7433%	(12,748,720)	43,734,214	-343%
Investment income	2,809,735	4,221,098	(1,411,363)	-33%	128,748	2,680,987	2082%
Equity interest in income/loss of joint ventures	3,164,738	1,423,014	1,741,724	122%	(7,137,436)	10,302,174	-144%
Net inc/dec in fair value of derivative instrument	179,882	-	179,882	0%	237,112	(57,230)	-24%
Other, net	(1,070,527)	422,727	(1,493,254)	-353%	775,322	(1,845,849)	-238%
Net Non Operating Revenue/Expenses	36,069,322	6,478,164	29,591,158	457%	(18,744,974)	54,814,296	-292%
Net Profit	47,421,702	14,653,270	32,768,432	224%	(1,628,444)	49,050,146	-3012%



 Favorable Variance
 Unfavorable Variance

UW Health YTD Operating Margin – October 31, 2021



Summary of Enterprise-wide Preliminary YTD October 31, 2021 Operating Results

	Actual Oct_YTD- FY22	Budget Oct_YTD- FY22	Variance vs. Budget	Var. % vs. Budget	Actual Oct_YTD- FY22	Variance vs. PY	Var. % vs. PY
<u>TOTAL OPERATING REVENUE</u>							
Net patient service revenue	1,291,785,246	1,305,294,022	(13,508,776)	-1%	1,214,383,253	77,401,993	6%
Other operating revenues	30,717,058	33,951,168	(3,234,110)	-10%	29,613,039	1,104,019	4%
Total operating revenues, net	1,322,502,304	1,339,245,190	(16,742,886)	-1%	1,243,996,292	78,506,012	6%
<u>TOTAL OPERATING EXPENSES</u>							
Salaries and benefits	710,758,117	722,025,452	(11,267,335)	-2%	669,540,030	41,218,087	6%
Other expenses	8,411,155	12,627,308	(4,216,153)	-33%	11,642,124	(3,230,969)	-28%
Purchased services and agency costs	89,825,996	94,880,529	(5,054,533)	-5%	72,668,956	17,157,040	24%
Medical materials and supplies	97,404,862	97,904,867	(500,005)	-1%	90,179,623	7,225,239	8%
Pharmaceuticals	208,052,917	205,304,568	2,748,349	1%	205,482,252	2,570,665	1%
Interest expense	9,596,116	7,567,327	2,028,789	27%	7,652,769	1,943,347	25%
Depreciation and amortization	44,662,739	35,960,542	8,702,197	24%	37,646,600	7,016,139	19%
Public aid assessment	20,717,174	20,706,667	10,507	0%	20,193,910	523,264	3%
Facilities and equipment	57,913,219	76,594,226	(18,681,007)	-24%	66,897,121	(8,983,902)	-13%
Nonoperating expenses - academic support	24,075,606	23,966,986	108,620	0%	23,966,307	109,299	0%
Net Operating Expenses	1,271,417,901	1,297,538,472	(26,120,571)	-2%	1,205,869,692	65,548,209	5%
Income from operations	51,084,403	41,706,718	9,377,685	22%	38,126,600	12,957,803	34%
<u>NON-OPERATING REVENUE/EXPENSES</u>							
Net increase/decrease in fair value of investments	20,797,392	1,645,300	19,152,092	1164%	40,497,697	(19,700,305)	-49%
Investment income	17,072,283	16,884,389	187,894	1%	9,705,729	7,366,554	76%
Equity interest in income/loss of joint ventures	13,809,029	5,692,056	8,116,973	143%	3,191,231	10,617,798	333%
Net inc/dec in fair value of derivative instrument	455,027	-	455,027	0%	456,375	(1,348)	0%
Other, net	(334,270)	1,632,424	(1,966,694)	-120%	11,957,990	(12,292,260)	-103%
Net Non Operating Revenue/Expenses	51,799,461	25,854,169	25,945,292	100%	65,809,022	(14,009,561)	-21%
Net Profit	102,883,864	67,560,887	35,322,977	52%	103,935,622	(1,051,758)	-1%

 Favorable Variance
 Unfavorable Variance

Enterprise-wide Preliminary October 31, 2021 Performance Ratios

	Favorable Direction	FY 22	Healthcare System Industry Comparisons	
			S&P "AA-" Rated (1)	Moody's "Aa3" Rated (2)
Operating Margin*	↑	3.9%	1.9%	2.0%
Total Margin	↑	7.5%	4.1%	5.7%
Days Cash on Hand*	↑	284 [^]	287	299
Days in Accounts Receivable **	↓	50	47	47
Long Term Debt to Capitalization	↓	20.4%	26.9%	26.2%
Operating Cash Flow	↑	8.0%	7.1%	7.0%
Cash-to-Debt	↑	339.4%	237.3%	280.2%

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

** average for 12 months

(1) S&P's 2020 financial ratios based on 38 obligators rated "AA-" by S&P. Based on 2019 audited financials.

(2) Moody's 2020 financial ratios based on 32 "Aa3" rated hospitals. Based on 2019 audited financials.

[^] The significant increase to DCOH is related to the advanced received from Medicare, which is over 20 days and some rebounds in the investment portfolio

Balance Sheet – October 31, 2021

	UWHCA	UWMF	ACO/Isthmus	Total UWHCA and UWMF	Discrete Components	UW Health Consolidated
Cash & Investments						
Unrestricted	1,772,414,584	471,541,295	12,562,594	2,256,518,473	533,230,115	2,789,748,588
Restricted by Trustee & Donors	22,039,136	-	-	22,039,136	5,175,449	27,214,585
Accounts Receivable	401,097,815	77,451,434	-	478,549,249	100,617,089	579,166,338
Property, Plant & Equipment, Net	836,519,108	116,978,020	7,639	953,504,767	424,191,615	1,367,497,131
Other Assets & Deferred Outflows of Resources	1,332,745,941	105,034,910	215,413	1,263,676,238	74,674,167	1,088,185,861
Total Assets & Deferred Outflows of Resources	\$ 4,364,816,584	\$ 771,005,659	\$ 12,785,646	\$ 4,974,287,863	\$ 1,137,888,434	\$ 5,851,812,503
Current Liabilities	523,250,867	284,299,002	421,909	646,015,489	216,822,622	844,883,551
Long-term Debt & Deferred Inflows of Resources	1,523,215,749	82,034,518	-	1,605,250,267	299,298,430	1,676,890,629
Net Position						
Unrestricted	2,204,904,254	404,672,139	12,363,737	2,609,576,393	612,967,722	3,207,792,949
Restricted	113,445,714	-	-	113,445,714	8,799,660	122,245,374
Total Liabilities, Deferred Inflows of Resources & Net Position	\$ 4,364,816,584	\$ 771,005,659	\$ 12,785,646	\$ 4,974,287,863	\$ 1,137,888,434	\$ 5,851,812,503

Key Takeaways for October

-We continue to see strong volumes across the system. ED visits were 10.8% favorable to budget and were ahead of last year by 4%. Patient days came in 6.1% favorable. We also saw Clinic visits 10.9% favorable to budget and up from last year by 1.5%.

-With the strong volumes, we saw net revenues coming in \$2.7M favorable to budget.

-Expense were favorable to budget by \$500K, leading to positive operating income of just under \$3.2M. The biggest variances this month are in depreciation and amortization, which is \$2.1M unfavorable to budget and Facilities and Equipment, which is \$3.6M favorable. The variances in these categories will continue through the end of the fiscal year, related to the UWH Madison adoption of GASB 87, which converted a large portion of our operating leases to capital leases.

-On the non-operating side, we saw unfavorable results compared to budget, with an unrealized gain on investments of \$30.6M favorable to budget in the current month.