



Financial Update: March 2018

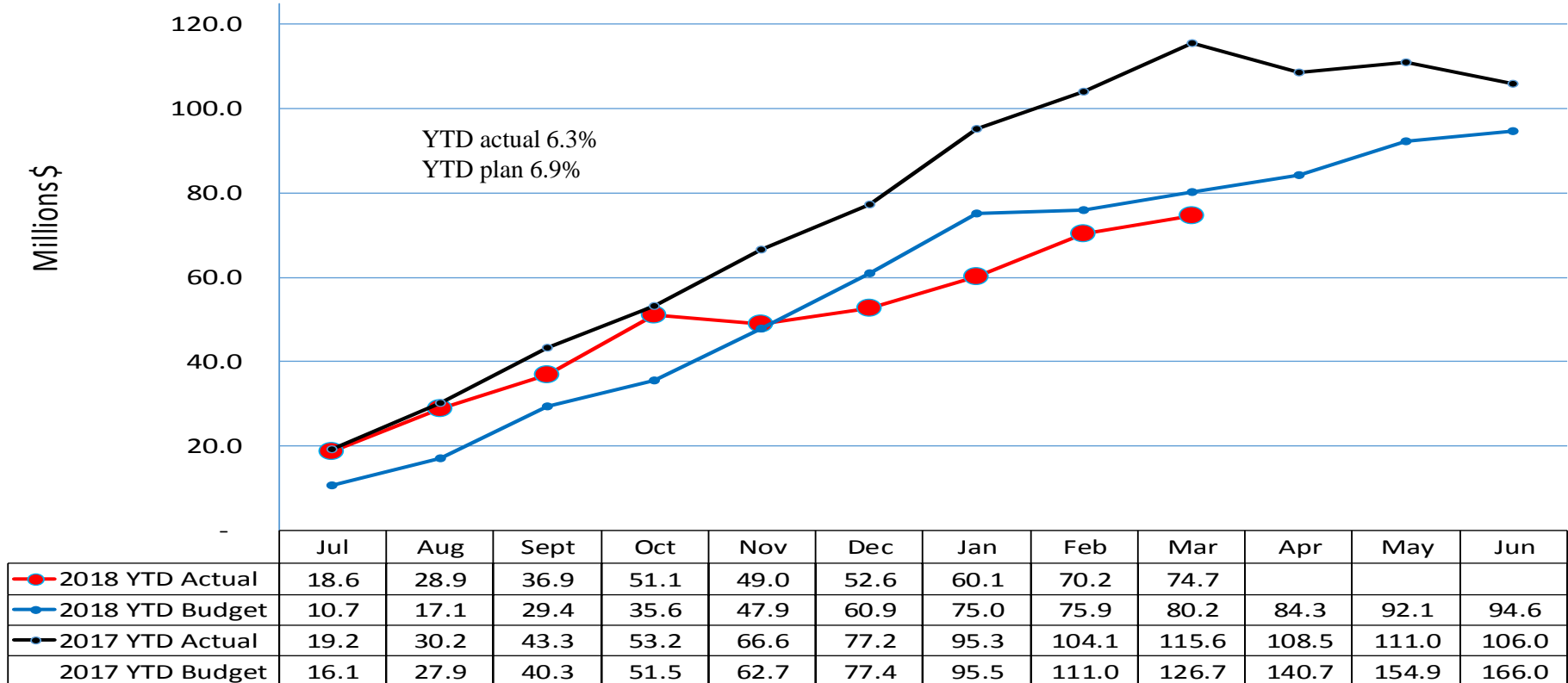
Operating Results

Craig Collins

Vice President and Chief Financial Officer

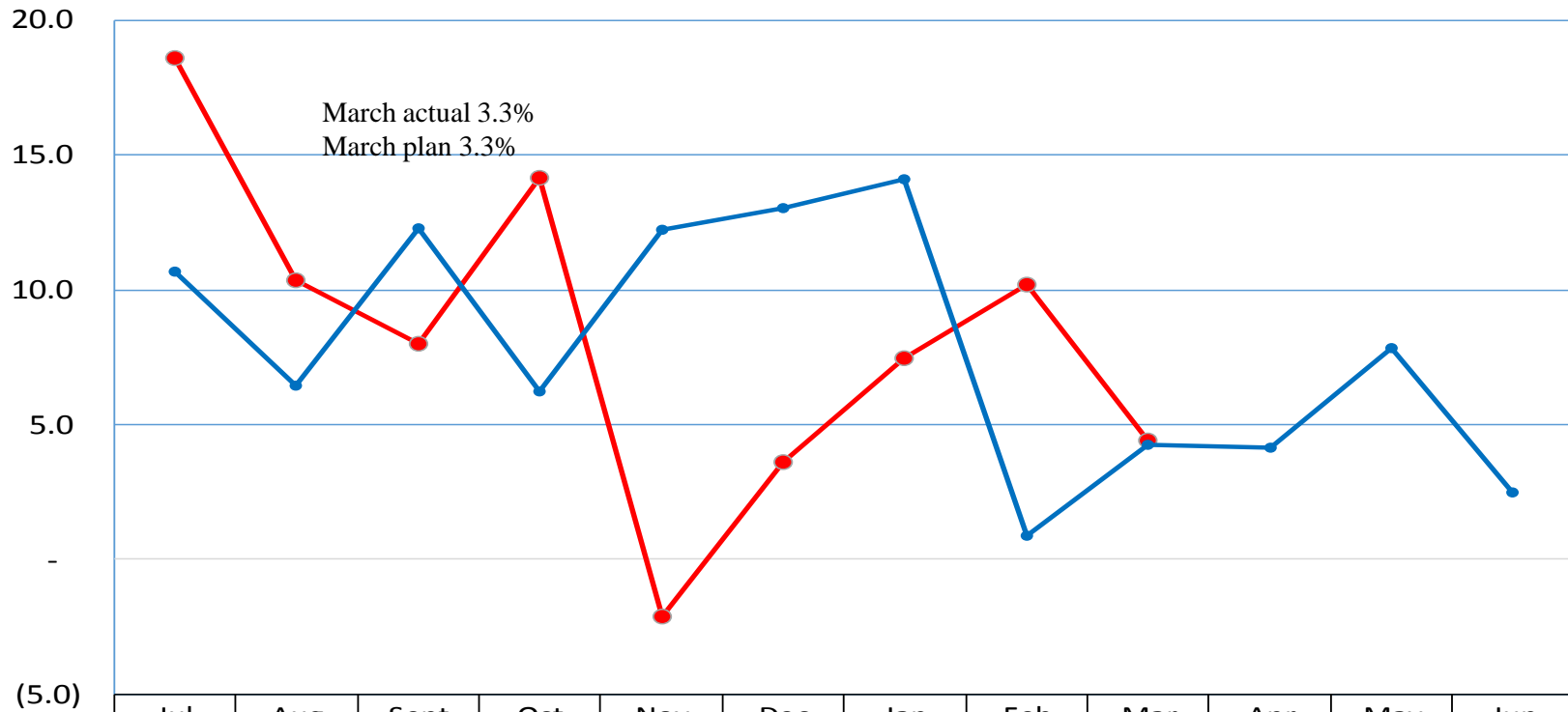


Health Care Income from Operations





Health Care Monthly Income from Operations



● 2018 Month Actual	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
● 2018 Month Budget	18.6	10.4	8.0	14.1	(2.1)	3.6	7.5	10.2	4.4			
	10.7	6.5	12.3	6.2	12.2	13.0	14.1	0.9	4.2	4.2	7.8	2.5



Health Care Income Statement

Month Ending March 31, 2018

CURRENT MONTH

Actual	Budget	Variance
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A. Operating Revenue		
\$ 77,410,674	\$ 71,939,033	\$ 5,471,641
54,119,878	52,261,357	1,858,521
-	-	-
131,530,552	124,200,390	7,330,162
3,991,341	5,441,971	(1,450,630)
3,991,341	5,441,971	(1,450,630)
135,521,893	129,642,361	5,879,532
B. Operating Expenses		
59,411,212	56,786,665	(2,624,547)
35,404,872	34,639,851	(765,021)
21,311,633	18,822,778	(2,488,855)
9,963,376	10,065,837	102,461
4,993,415	5,078,490	85,075
131,084,508	125,393,621	(5,690,887)
4,437,385	4,248,740	188,645
3.3%	3.3%	

FY 2018

Current Year-to-Date

Actual	Budget	Variance	(Unfavorable) %
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\$ 678,316,049	\$ 660,155,623	\$ 18,160,426	2.75%
455,279,497	451,344,937	3,934,560	0.87%
-	-	-	0.00%
1,133,595,546	1,111,500,560	22,094,986	1.99%
47,221,110	44,621,745	2,599,365	5.83%
47,221,110	44,621,745	2,599,365	5.83%
1,180,816,656	1,156,122,305	24,694,351	2.14%
504,643,512	507,878,211	3,234,699	0.64%
292,123,478	295,798,801	3,675,323	1.24%
173,374,338	139,047,983	(34,326,355)	-24.69%
90,485,971	87,312,465	(3,173,506)	-3.63%
45,513,672	45,908,317	394,645	0.86%
1,106,140,971	1,075,945,777	(30,195,194)	-2.81%
74,675,685	80,176,528	(5,500,843)	-6.86%
6.3%	6.9%		10.4%

FY 2017

Prior Year-to-Date

Actual	Change
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\$ 648,939,984	\$ 29,376,065
419,075,988	36,203,509
-	-
1,068,015,972	65,579,574
38,835,868	8,385,242
38,835,868	8,385,242
1,106,851,840	73,964,816
462,917,435	(41,726,077)
270,362,976	(21,760,502)
155,401,564	(17,972,774)
60,009,945	(30,476,026)
42,598,454	(2,915,218)
991,290,374	(114,850,597)
115,561,466	(40,885,781)



Health Care Income Statement

Month Ending March 31, 2018

CURRENT MONTH

Actual	Budget	Variance
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			C. Nonoperating Revenues (Expenses)	
87,750	87,750	-	17	State appropriations
1,210,570	341,532	869,038	18	Gifts and non-exchange grants
(105,504)	1,375,582	(1,481,086)	19	Investment income/RR Fund/Trustee Funds
(1,876,773)	(1,876,773)	0	20	Interest expense
(30,410)	-	(30,410)	21	Gain (loss) on disposal of capital assets
(28,520)	0	(28,520)	22	Other
-	-	-	23	Gain on sale of investment
(742,887)	(71,909)	(670,978)	24	Net nonoperating revenues (expenses)
3,694,498	4,176,831	(482,333)	25	Income before other revenues (expenses)
(143,538)	0	(143,538)	26	Transfers to University of Kentucky-capital
(1,222,077)	(1,262,444)	40,367	27	Transfers to University of Kentucky-noncapital
(1,365,615)	(1,262,444)	(103,171)	28	Total other revenues (expenses)
2,328,883	2,914,387	(585,504)	29	Increase in net assets
1.7%	2.2%		30	Total margin %
-	-	-	31	NET ASSETS, beginning of year,
\$ 2,328,883	\$ 2,914,387	\$ (585,504)	32	NET ASSETS, end of period

FY 2018

Current Year-to-Date

Actual	Budget	Variance	(Unfavorable)	%
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FY 2017

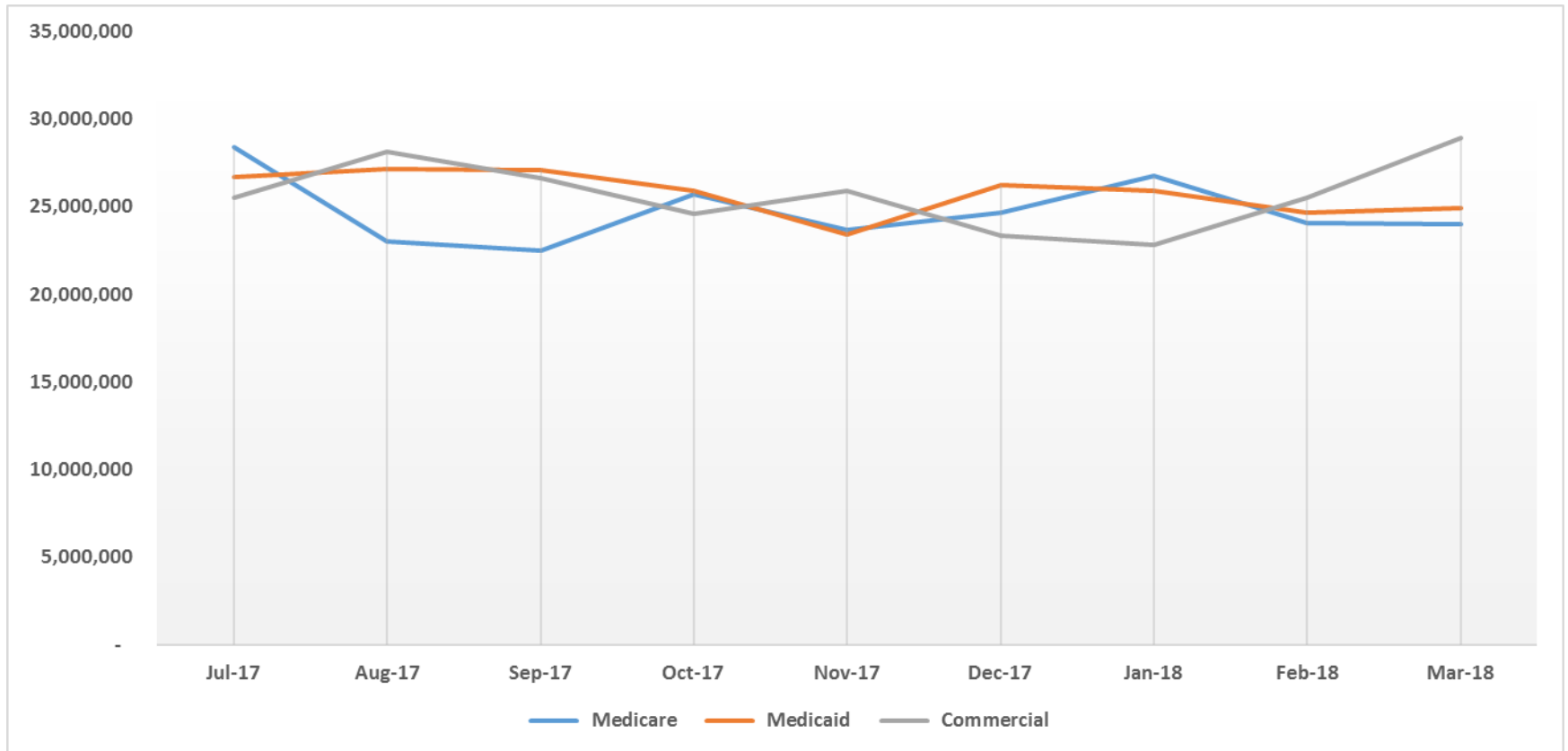
Prior Year-to-Date

Actual	Change
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789,750	789,750	-	0.00%	789,750	-
3,459,450	4,019,830	(560,380)	-13.94%	4,209,595	(750,145)
17,250,330	11,857,673	5,392,657	45.48%	19,993,853	(2,743,523)
(16,890,950)	(16,890,950)	0	0.00%	(17,453,234)	562,284
(199,157)	0	(199,157)	0.00%	57,218	(256,375)
1,285,975	0	1,285,975	0.00%	2,020,266	(734,291)
-	-	-	-	-	-
5,695,398	(223,697)	5,919,095	2646.03%	9,617,448	(3,922,050)
80,371,083	79,952,831	418,252	0.52%	125,178,914	(44,807,831)
(974,399)	0	(974,399)	0.00%	1,737,930	(2,712,329)
(9,835,079)	(11,469,194)	1,634,115	14.25%	(9,311,047)	(524,032)
(10,809,478)	(11,469,194)	659,716	5.75%	(7,573,117)	(3,236,361)
69,561,605	68,483,637	1,077,968	1.57%	117,605,797	(48,044,192)
5.9%	5.9%			10.6%	
1,198,494,615	1,197,706,118	788,497	0.07%	1,097,764,944	100,729,671
\$ 1,268,056,220	\$ 1,266,189,755	\$ 1,866,465	0.15%	\$ 1,215,370,742	\$ 52,685,479



Net Inpatient Revenue by Major Payer



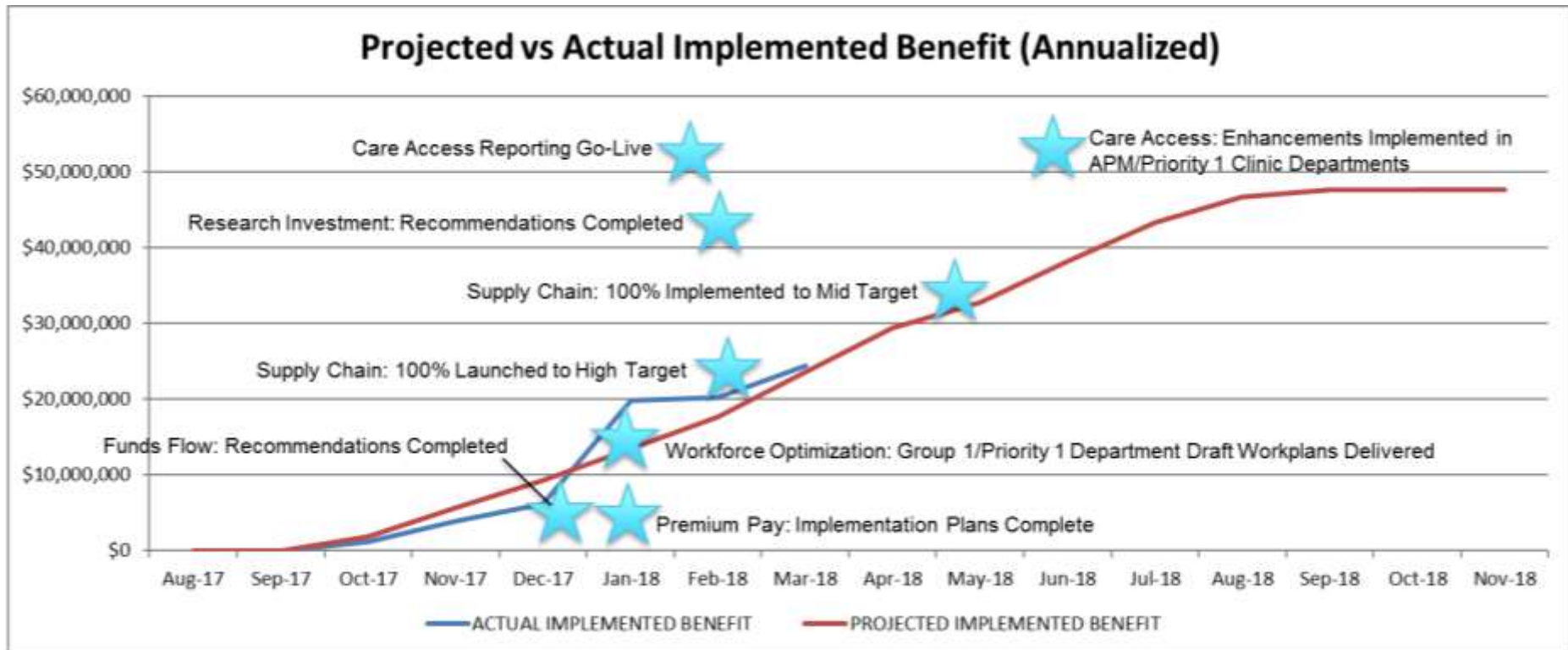


Income Statement Analysis

- Total operating revenue is greater than budget by \$24.7M, year to date. \$7.2M of the variance is due to the projected Medicare and Medicaid reductions that have not been realized, leaving the hospital activities flat to budget and the remaining positive variance due to retail pharmacy.
- Personnel expenses are \$3.7M below budget. FTE's are approximately 130 less than budget and contribute to the positive variance, along with reductions in contract labor initiated by operations and the UK @ Our BEST initiative.
- Changes in patient mix, utilization reductions by providers and ongoing UK @ Our BEST initiatives have contributed to variable expenses running \$3.6M less than budget, year to date.
- Fixed expenses, year to date, have a negative \$34.3M variance to budget. The majority of this variance is due to the UK @ Our BEST initiative.
 - All projected savings were budgeted as a fixed expense reduction
 - Consultant fees hit the fixed expense line
 - Combined impact is \$32.8M
- Enterprise Investment Requests have been \$3.2M over budget, year to date, due to College of Medicine cash flow impacts.



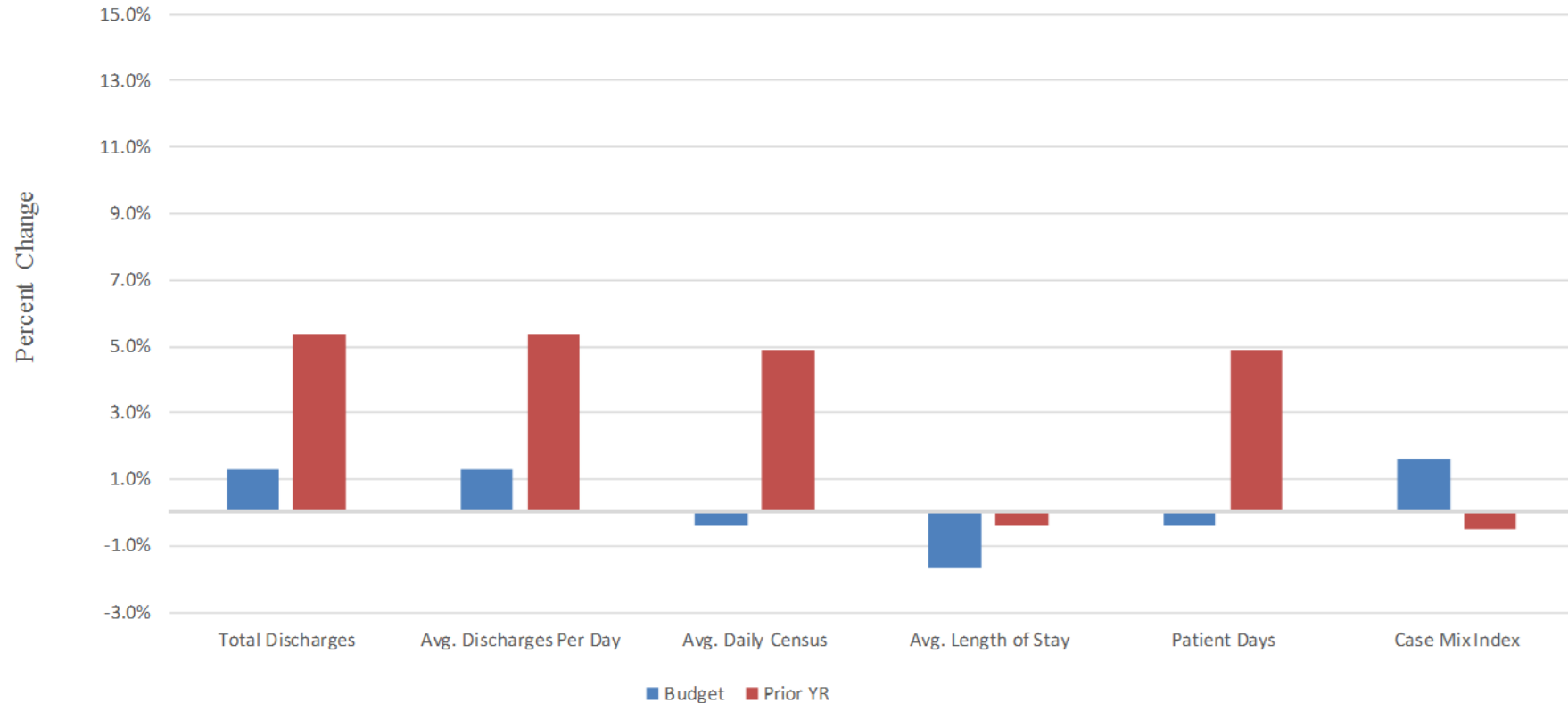
Financial Dashboard Update



DRAFT FOR DISCUSSION PURPOSES ONLY



Key Performance Indicators FY 2018 YTD March

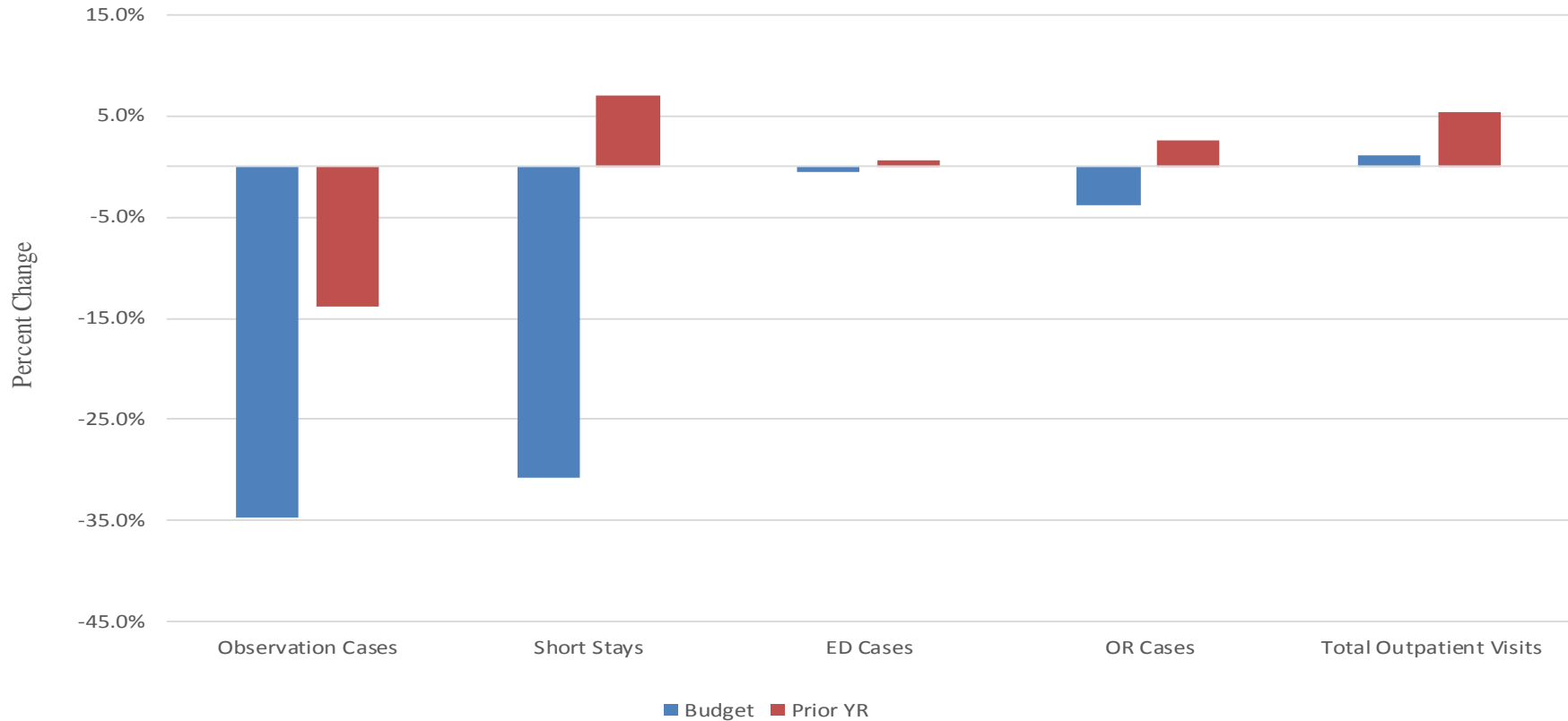


FY 2018 YTD Actual	30,430	111.06	756.70	6.81	207,337	2.0074
FY 2018 YTD Budget	30,042	109.64	759.76	6.93	208,174	1.9760
FY 2017 YTD Actual	28,884	105.42	721.31	6.84	197,639	2.0174



Key Performance Indicators

FY 2018 YTD March



FY 2018 YTD Actual	6,138	1,129	84,492	24,971	1,264,589
FY 2018 YTD Budget	9,403	1,632	84,991	25,979	1,250,948
FY 2017 YTD Actual	7,119	1,054	83,909	24,356	1,199,103



Financial Summary

- Year to date, Health Care income from operations is \$5.5M below budget, while key performance indicators continue to be strong and above budgeted volume.
- Retail pharmacy continues to be a major contributor to Health Care's operating results.
- UK @ Our BEST initiatives are being implemented, but will not have a major impact on FY18 operating results as originally planned.
- The delay in Medicare and Medicaid reimbursement reductions have provided positive revenue budget variances that have offset delays in the UK @ Our BEST initiative impacts.



Financial Update: Appendix



Health Care

FY 2018 YTD Financial

Median Analysis

Metric	Moody's A2	Recommended Targets	FY 2018 YTD Budget Targets	FY 2018 YTD UKHC Actual	FY 2017 YTD UKHC Actual
Days Cash on Hand	235.6	>170.0	209.7	139.3	166.4
Operating Margin	3.0%	>3.0%	8.0%	4.0%	8.0%
Operating EBIDA Margin	10.6%	>10.0%	14.0%	9.1%	13.2%
Debt to Capitalization	31.5%	40.0%	42.4%	44.7%	38.1%
Cash to Debt	170.1%	125.0%	120.8%	100.4%	136.2%

Kaufman Hall Modeled Metrics

FY 2018 Days Cash On Hand Without Endowment

68.8



Health Care Balance Sheet

Month Ending March 31, 2018

ASSETS		<u>MARCH 31, 2018</u>	<u>JUNE 30, 2017</u>	<u>VARIANCE</u>
A. Current Assets				
1	Cash and cash equivalents	\$292,806,195	\$350,081,135	(57,274,940)
2	Accounts receivable, less allowance for doubtful accounts of \$83,932,000	224,449,751	163,173,490	61,276,261
3				-
4	Supplies, at lower of cost or market	30,677,875	26,250,808	4,427,067
5	Prepaid expenses	12,677,330	8,191,550	4,485,780
6	Accrued interest receivable	-	-	-
7	Estimated third-party payer settlements receivable	-	-	-
8	Notes receivable and other	2,951,635	2,634,202	317,433
9	Total current assets	<u>563,562,786</u>	<u>550,331,185</u>	<u>13,231,601</u>
B. Noncurrent Assets				
10	Restricted cash	212,037,947	41,261,247	170,776,700
11	Long-term investments	7,303,371	5,974,621	1,328,750
12	Board designated investments	299,746,811	287,462,395	12,284,416
13	Notes receivable-noncurrent	4,172,027	3,989,951	182,076
14	Capital assets, net	999,486,561	971,651,229	27,835,332
15	FICA refund proceeds invested	-	-	-
16	Other assets	1,592,912	1,163,309	429,603
17	Total noncurrent assets	<u>1,524,339,629</u>	<u>1,311,502,752</u>	<u>212,836,877</u>
18	Total assets	<u>2,087,902,415</u>	<u>1,861,833,937</u>	<u>226,068,478</u>
C. Deferred Outflows of Resources				
		<u>8,488,098</u>	<u>9,642,125</u>	<u>(1,154,027)</u>
	Total assets and deferred outflows of resources	<u>2,096,390,513</u>	<u>1,871,476,062</u>	<u>224,914,451</u>



Health Care Balance Sheet

Month Ending March 31, 2018

	<u>MARCH 31, 2018</u>	<u>JUNE 30, 2017</u>	<u>VARIANCE</u>
LIABILITIES			
D. Current Liabilities			
19 Accounts payable	58,600,160	61,615,828	(3,015,668)
20 Accrued expenses	63,894,199	57,906,567	5,987,632
21 Cash advance from the University of Kentucky	-	-	-
22 Estimated third-party payer settlements liability	65,491,427	47,755,748	17,735,679
23 Unearned Income	19,364,288	5,980,397	13,383,891
24 Long-term debt-current portion	15,852,909	15,471,198	381,711
25 Capital lease obligations-current portion	5,152,650	6,331,553	(1,178,903)
26 Total current liabilities	<u>228,355,633</u>	<u>195,061,291</u>	<u>33,294,342</u>
E. Noncurrent Liabilities			
27 FICA refund deposits/Deferred Comp	-	-	-
28 Accounts payable	10,485	142,636	(132,151)
29 Unamortized bond premium	30,907,625	28,926,281	1,981,344
30 Unearned Income - fica refund	-	-	-
31 Long-term debt	545,211,996	415,453,407	129,758,589
32 Capital lease obligations	23,848,552	26,901,482	(3,052,930)
33 Total noncurrent liabilities	<u>599,978,658</u>	<u>471,423,806</u>	<u>128,554,852</u>
34 Total liabilities	<u>828,334,291</u>	<u>666,485,097</u>	<u>161,849,194</u>
35 NET ASSETS			
36 Invested in capital assets, net of related debt	553,514,032	510,147,863	43,366,169
37 Other net assets, nonexpendable	854,541	750,680	103,861
38 Restricted expendable	9,273,767	11,662,640	(2,388,873)
39 Restricted debt service	-	-	-
40 Unrestricted	704,413,882	682,429,782	21,984,100
41 Total net assets	<u>\$1,268,056,222</u>	<u>\$1,204,990,965</u>	<u>63,065,257</u>