

UNIVERSITY OF KENTUCKY BOARD OF TRUSTEES



Craig C. Collins, Senior Vice President and Chief Financial Officer, UK HealthCare

Peter N. Gilbert, Senior Vice President and Chief Operations Officer, UK HealthCare

Autumn McFann, Vice President and Chief Financial Officer, King's Daughters Health System



AN EQUAL OPPORTUNITY UNIVERSITY

FINANCIAL AND OPERATIONAL UPDATE

KEY PERFORMANCE INDICATORS

UK HEALTHCARE HOSPITAL SYSTEM

UK HealthCare Hospital System						
FY2023 October	Monthly Stat	vs. Budget	vs. Prior Year	YTD Stat	vs. Budget	vs. Prior Year
Total Discharges	3,513	57	370	13,611	(122)	819
Adult Discharges	2,876	(79)	227	11,426	(318)	667
Peds Discharges	637	136	143	2,185	196	152
Average Discharges per Day	113.32	1.83	11.94	110.66	(0.99)	6.66
Average Daily Census	885.29	20.21	55.84	870.17	3.78	37.84
Average Length of Stay	7.81	0.05	(0.37)	7.86	0.10	(0.14)
*Case Mix Index (CMI)	2.2940	0.06	0.02	2.2206	(0.02)	(0.03)
CMI Adjusted Length of Stay	3.41	(0.06)	(0.19)	3.54	0.07	(0.02)
CMI Adjusted Patient Days	122,690	21,485	17,430	462,679	52,226	45,711
Patient Days	27,444	627	1,731	107,031	464	4,654
Adult ADC	718.32	64.06	37.68	713.50	58.14	25.72
Peds ADC	166.97	(43.85)	18.16	156.67	(54.36)	12.11
Observation Cases	676	95	53	2,519	91	233
Emergency Department Cases	10,145	879	1,754	39,870	1,603	1,841
Operating Room Cases	3,177	356	477	12,668	1,130	1,870
Lexington Surgery Center Operating Room Cases	275	11	50	993	24	102

Green: Greater than or equal to 100% (average length of stay and observation cases: less Than 98%)

Red: Less than 98% (average length of stay and observation cases: greater than or equal to 100%)

Yellow: 98% to 99.9%

AMBULATORY KEY PERFORMANCE INDICATORS

FY23

	JUL	Aug	Sep	Oct	YTD	Budget /Goal	Budget/ Goal Variance
UKHC Relative Value Units (wRVUs)	390,159	432,401	435,632	446,687	1,704,879	1,506,394	+144,485
UKHC Medical Group Visits	92,738	114,016	108,202	108,161	423,117		
Schedule Utilization	87.2%	84.1%	86.7%	87.4%		90%	

MANAGEMENT INITIATIVES

- Targeted reduction in contract labor rate and utilization for clinical resources.
- Managing to full-time equivalent (FTE) benchmark and skill mix targets.
- Non-personnel standardization and utilization of drugs, supplies and implants.
- Procedural room utilization and turnover targets.
- EPIC workflow efficiency and charge capture continues to be quarterly monitored and analyzed to original targets.

YEAR-TO-DATE - OCTOBER 31, 2022

	FY2023 October YTD Actual	FY2023 October YTD Budget	Variance	FY2022 October YTD Actual
OPERATING REVENUES				
Net Inpatient service revenues	\$ 515,027	\$ 516,362	\$ (1,335)	\$ 471,217
Net Outpatient service revenues	554,287	521,738	32,550	459,850
Prior year adjustments	1,679	-	1,679	4,226
Sales, services and other revenue	44,877	51,187	(6,310)	46,405
Total operating revenues	1,115,870	1,089,287	26,584	981,698
OPERATING EXPENSES				
Personnel expense	551,986	531,229	20,757	496,877
Variable expenses	247,694	231,280	16,414	211,640
Fixed expenses	117,350	118,714	(1,363)	110,702
Depreciation and other	32,982	33,883	(900)	35,011
Total operating expenses	950,013	915,106	34,907	854,230
Net income from continuing operations	165,858	174,181	(8,323)	127,468
	14.9%	16.0%	-1.1%	13.0%
NONOPERATING REVENUES (EXPENSES)				
Gifts and non-exchange grants	1,375	943	432	943
Investment income (loss)	4,559	(18,709)	23,268	6,856
Interest expense	(6,719)	(6,693)	(26)	(7,058)
Other	(9,822)	(9,254)	(569)	(8,970)
Net nonoperating revenues (expenses)	(10,608)	(33,713)	23,105	(8,229)
Net income before other revenues, expenses, gains or losses	155,250	140,468	14,782	119,239
Transfers (to) the University of Kentucky for noncapital purposes	(25,132)	(29,100)	3,968	(2,832)
Transfers (to) from the University of Kentucky for capital purposes	-	-	-	-
Total other revenues (expenses)	(25,132)	(29,100)	3,968	(2,832)
Net Income				
	\$ 130,119	\$ 111,369	\$ 18,750	\$ 116,407
	11.7%	10.2%	1.4%	11.9%

REVISED BUDGET FY2023

Volume Assumptions

- Discharges remain at the 40,540 target - consistent with original budget.
- Average length of stay increase to 7.86 versus original budget of 7.76.
- Outpatient visits assume a 8.07% increase over FY22 - consistent with original budget.

Revenue Increases

Favorable changes:

- Surgical to medical inpatient payer mix for the first four months - compared to original budget.
- Hospital based outpatient net revenue per encounter - compared to original budget.
 - Driven by increases in outpatient surgeries, infusions and outpatient procedures (facility charges).

Expenses

Personnel expense exceed original target plan due to:

- Increased contract labor FTEs (utilization due to vacancies).
- Contract labor rates continue to decline as planned. Recast plan includes original contract labor improvement.
- Surge premium has maintained higher utilization at the planned lower rate.

Variable supplies exceed original target plan due to:

- Increased surgical mix change in both inpatient and outpatient cases.
- Drug costs due to the case mix change with infusions, surgeries and procedural cases.
 - Recast plan continues to include original supply standardization opportunity.

Non-Operating

Non-operating transfers below original planned target by 3% due to delay in programs and/or recruitments included in original budget.

REVISED BUDGET FY23

Income Statement <i>(In Thousands)</i>	FY23 Original Budget	FY23 Recast Budget	Change
Total Operating Revenue	\$3,260,099	\$3,353,577	\$93,478
Total Operating Expenses	\$2,691,245	\$2,896,914	\$205,669
Excess of Revenue over Expenses from Operations	\$568,854	\$456,664	\$(112,191)
Net Non-Operating Revenue (Expense)	\$(119,161)	\$(106,055)	\$13,106
Excess of Revenue over Expenses	\$449,693	\$350,608	\$(99,085)

Budget Adjustment Reduction: \$99,085



King's Daughters Medical Center



**King's Daughters Medical Center
Ohio**



Kingsbrook Lifecare Center



**King's Daughters Medical
Transport**



**King's Daughters Medical
Specialties**



Child Development Center

ROYAL BLUE HEALTH SUMMARY

- Total operating revenue growth is projected due to anticipated inpatient and outpatient volume and specialty pharmacy growth.
- Total expenses are budgeted to increase primarily in the areas of salaries/benefits, supplies, interest and depreciation.
- Salaries and benefits are increasing due to pay increases, market adjustments and new staff/providers added to support volume growth.
 - Salary increase partially offset by a projected decrease in purchased services expense for agency nurses.
- Supplies are projected to increase due to higher volumes and specialty pharmacy growth.
- Interest and depreciation are increasing due to a new bond issuance and higher capital spend levels.

FY2023 ROYAL BLUE HEALTH BUDGET

KEY PERFORMANCE INDICATORS

Key Operating Statistics	FY22 Actual 12 Months	FY23 Budget 12 Months	FY22 Actual Dec – Jun	FY23 Budget Dec – Jun
Inpatient Admissions	19,187	19,629	11,210	11,624
Admissions Per Day	52.57	53.81	52.88	54.83
Emergency Department Visits	69,751	69,645	40,358	41,746
Average Length of Stay	4.5	4.3	4.5	4.3
Average Daily Census	240	250	242	255
Surgical Cases – Inpatient	13,864	14,966	8,142	8,877
Surgical Case – Outpatient	40,216	42,572	23,486	25,454
Clinic Visits	776,002	798,195	453,370	470,618

FY2023 ROYAL BLUE HEALTH BUDGET

Income Statement	2022 <i>Actual</i> 12 Months	2023 <i>Budget</i> 12 Months	2022 <i>Actual</i> Dec – Jun	2023 <i>Budget</i> Dec – Jun
Total Operating Revenue	\$943,480,494	\$948,839,000	\$549,861,171	\$559,398,739
Total Operating Expenses	\$809,196,501	\$855,623,217	\$465,728,612	\$500,000,788
Excess of Revenue Over Expenses From Operations	\$134,283,993	\$93,215,783	\$84,132,560	\$59,397,951
Net Non-Operating Revenue/Expenses	(\$41,317,981)	\$8,228,220	(\$26,948,752)	\$6,174,795
Net Income	\$92,966,012	\$101,444,003	\$57,183,808	\$65,572,746

Revised Budget Adjustment: \$65,572,746

CLINICAL CONTRACT LIST ANNUAL DISCLOSURE

CLINICAL CONTRACT LIST - ANNUAL DISCLOSURE

Contract Name	Contract Number	Service	Expiration Date
Sign Language Network of Kentucky	PA016-168	Translation services	1/31/23
Perfusion Concepts Inc.	UK1153-12	Perfusion and ECMO	Rolling 30 days
Compass One - Patient Transport	U0931X	Patient transport	6/30/25
Pure Language Services	UK1237-13A	Medical translation services	1/30/23
Alliance Imaging		Mobile MRI imaging	6/30/23
Alliance Imaging	No number assigned	Mobile PET scan imaging	1/3/25
PHI Air Medical	UK1337-14	Air medical neonatal and pediatric transport	4/31/28
Vaya (Workforce Management)		Nursing	12/31/22
Central Kentucky Blood Center	No number assigned	Provision of blood products	4/30/23
Cyramcom	CYRACOM	Medical translation services	8/31/23
Cincinnati Children's Hospital		Pediatric heart program	auto renewal
Cincinnati Children's Hospital		Pediatric cardiac anesthesia	auto renewal
Cincinnati Children's Hospital		Pediatric cardiothoracic surgery	auto renewal
Cincinnati Children's Hospital		Pediatric perfusion	auto renewal
Agiliti	CE7071N	Equipment lease and management	05/16/24
Sullivan Health Care Consulting	P-3412R1	Interim director of surgical services	06/30/23
Language Line	SV4035	Medical interpreting and translation services	n/a

CLINICAL CONTRACT LIST - ANNUAL DISCLOSURE

Contract Name	Contract Number	Service	Expiration Date
Compass One - Food Service	UK-0468-5	Food services	11/30/22
Lexington Clinic		Oncology services	06/24/24
Specialty Care/Synapse	UK1784-18	SEEP and NIM Spinal Cord Monitoring	03/31/27
Stryker		Endo-surgery services	12/31/23
RICU (Remote Intensive Care Unit)		Physician services TeleICU	06/23/23
Renovo	UK-2186-22	Clinical engineering	10/31/25
Compass One – Environmental Services	UK0445-5	Environmental services	08/30/25
Vision Professional Services, LLC		Teleradiology professional services	12/21/24
Cincinnati Children's Hospital		Heart failure telehealth clinic	auto renewal
Staff Care		Radiology locums tenens coverage	auto renewal
BCN-Hospice		Hospice services	auto renewal
Nephrology Associates of Kentuckiana		Transplant nephrology at TXP Louisville Clinic	auto renewal
Compass One - Patient Observation		Patient observation services	06/5/24
AMR Rural Metro	UK-8669	Transportation services	12/31/22
BrainLab	QN-UKHLKU-JWA-339	Clinical consultation image guided surgery	05/03/22

FINANCE COMMITTEE RECOMMENDATIONS

FCR 14

Office of the President
December 13, 2022

Members, Board of Trustees:

ACQUIRE/IMPROVE ELEVATOR SYSTEMS – UK HEALTHCARE
(MODERNIZE ELEVATORS AT KENTUCKY CLINIC) CAPITAL PROJECT

Recommendation: that the Board of Trustees approve the initiation of the Acquire/Improve Elevator Systems – UK HealthCare (Modernize Elevators at Kentucky Clinic) capital project.

Background: Pursuant to Administrative Regulation 8:2, any capital project with an estimated scope of \$1,000,000 or more must be approved by the Board prior to initiation.

This project will upgrade and modernize two existing traction elevators within the Kentucky Clinic Building and will include installation of new equipment, controls and safety devices. The project will also refurbish the elevator cabs.

This \$1,100,000 project, authorized by the 2022 Kentucky General Assembly, is well within the total legislative authorization of \$15,000,000 and will be funded with agency funds.

FCR 15

Office of the President
December 13, 2022

Members, Board of Trustees:

IMPROVE BUILDING SYSTEMS – UK HEALTHCARE
(REPLACE AHU 3 AT PAVILION WH) CAPITAL PROJECT

Recommendation: that the Board of Trustees approve the initiation of the Improve Building Systems – UK HealthCare (Replace AHU 3 at Pavilion WH) capital project.

Background: Pursuant to Administrative Regulation 8:2, any capital project with an estimated scope of \$1,000,000 or more must be approved by the Board prior to initiation.

This project will replace the existing air handling unit (AHU) #3 at Pavilion WH (Marylou Whitney and John Hendrickson Cancer Facility for Women). This project will improve the reliability of the systems, temperature and humidity control, and energy efficiency. This planned replacement will cause minimal disruption to patient care and normal operations.

This \$1,500,000 project, authorized by the 2022 Kentucky General Assembly, is well within the total legislative authorization of \$50,000,000 and will be funded with agency funds.

FCR 16

Office of the President
December 13, 2022

Members, Board of Trustees:

IMPROVE PARKING/TRANSPORTATION SYSTEMS 1 - UK HEALTHCARE
(EXPAND PARKING STRUCTURE 8 - CONSTRUCTION PHASE) CAPITAL PROJECT

Recommendation: that the Board of Trustees approve the initiation of the Improve Parking/Transportation Systems 1 - UK HealthCare (Expand Parking Structure 8 - Construction Phase) capital project.

Background: Pursuant to Administrative Regulation 8:2, any capital project with an estimated scope of \$1,000,000 or more must be approved by the Board prior to initiation.

UK HealthCare continues to experience strong inpatient admissions growth. This increased volume has placed substantial capacity constraints on UK inpatient hospital operations. This increased patient volume has created a need for additional parking.

At its June 17, 2021, meeting the Board approved the design phase of an expansion of Parking Structure 8. The design phase is underway, and it is now appropriate to begin the next phase and move forward with construction. This project will expand to the west of the existing Parking Structure 8 and will include associated site work and stormwater detention systems. Once constructed, the expanded structure will help alleviate current and future parking demands by providing approximately 700 additional parking spaces. Additionally, the project may provide approximately 37,000 square feet of shelled office space to support future needs due to UK HealthCare expansion in the area.

This \$60,000,000 project (including design), authorized by the 2020 Kentucky General Assembly, is well within the total legislative authorization of \$150,000,000 and will be funded with agency funds.

FCR 17

Office of the President
December 13, 2022

Members, Board of Trustees:

IMPROVE BUILDING SYSTEMS - UK HEALTHCARE
(GOOD SAMARITAN HOSPITAL EMERGENCY GENERATOR) CAPITAL PROJECT

Recommendation: that the Board of Trustees approve the initiation of the Improve Building Systems - UK HealthCare (Good Samaritan Hospital Emergency Generator) capital project.

Background: Pursuant to Administrative Regulation 8:2, any capital project with an estimated scope of \$1,000,000 or more must be approved by the Board prior to initiation.

At its December 14, 2020 meeting, the Board of Trustees approved the Good Samaritan Hospital Emergency Generator project at a scope of \$1,900,000. Good Samaritan Hospital presently operates two 750kW diesel generators. This project will add a new interior 750kVA generator and connect it in parallel with the existing two. In this configuration, the two generators will better support the facility, while the third generator will be redundant and allow for routine maintenance without compromising the emergency operation of the hospital.

The project was initially bid in September 2021. The bids received were considerably higher than estimated. At that time, the decision was made to purchase only the equipment needed for the project (emergency generator, switchgear and transfer switches) and to bid the installation after delivery of the equipment. Due to long lead times and supply shortages, the equipment was only recently received on site and is ready for installation.

The Board is requested to approve a revised scope of \$2,800,000. This project, authorized by the 2020 Kentucky General Assembly, is well within the total legislative authorization of \$50,000,000 and will be funded with agency funds.

FCR 18

Office of the President
December 13, 2022

Members, Board of Trustees:

ACQUIRE/IMPROVE ELEVATOR SYSTEMS – UK HEALTHCARE
(MODERNIZE THREE ELEVATORS AT PAVILION WH) CAPITAL PROJECT

Recommendation: that the Board of Trustees approve the initiation of the Acquire/Improve Elevator Systems – UK HealthCare (Modernize Three Elevators at Pavilion WH) capital project.

Background: Pursuant to Administrative Regulation 8:2, any capital project with an estimated scope of \$1,000,000 or more must be approved by the Board prior to initiation.

This project will improve and modernize three existing elevators located in Pavilion WH (Marylou Whitney and John Hendrickson Cancer Facility for Women). The project includes new machines, operational controls, door equipment, signal fixtures, cab interior fixtures and connection to the existing building automation system.

This \$1,200,000 project, authorized by the 2022 Kentucky General Assembly, is well within the total legislative authorization of \$15,000,000 and will be funded with agency funds.

QUESTIONS

