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**INTEROFFICE MEMORANDUM**

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**TO:** OIHCD COMMISSIONERS

**FROM:** PATTY MILLER

**SUBJECT:** OCTOBER – DECEMBER 2018 CLINIC FINANCIALS COMPARISON

**DATE:** 04/16/2019

**CC:** ANNE PRESSON

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Below is a brief summary of the clinic financials regrouped to allow for comparison between clinics.

<b>October - December 2018</b>						
<b>Clinic Financials Comparison</b>						
	<b>FY Q1</b>	<b>YTD Budget</b>	<b>FY Q1</b>	<b>FY Q2</b>	<b>YTD</b>	<b>YTD Budget</b>
	<b><u>OFHC</u></b>	<b><u>OFHC</u></b>	<b><u>UW</u></b>	<b><u>UW</u></b>	<b><u>UW</u></b>	<b><u>UW</u></b>
Income	164,212	146,837	247,276	333,720	580,996	607,314
Provider Compensation			145,274	191,734	337,008	337,671
Provider Benefits			40,848	57,500	98,348	84,955
Non Provider Compensation			118,565	129,039	247,604	270,480
Non Provider Benefits			43,505	48,412	91,917	98,476
<b>Total Labor</b>	<b>161,859</b>	<b>185,400</b>	<b>348,192</b>	<b>426,685</b>	<b>774,877</b>	<b>791,582</b>
Billing Fees	16,005		19,027	21,022	40,049	54,597
Supplies and Pharmaceuticals	22,631		30,786	58,005	88,791	74,125
Other Operating Expenses	29,823		16,530	26,687	43,217	24,246
<b>Total Operating Expenses</b>	<b>68,460</b>	<b>43,744</b>	<b>66,343</b>	<b>105,714</b>	<b>172,057</b>	<b>152,968</b>
Net Loss	-66,107			-198,679	-365,938	-337,236
Equipment Repair	2,512	193	6,737	4,119	10,856	0
Quarterly Cash Required	68,619	82,500	173,996	202,798	376,794	-337,236
Quarterly Cash Paid	-82,500					
Amount to be Deducted From Next Payment	-13,881					
MD <1FTE Adjustment	-32,958					
Total Adjustment to Next Quarterly Payment	-46,839					
Refrigerator Reimbursement	2,512					
Vaccination Ramp Up Reimbursement	7,000					
Net Adjustment to Next Quarterly Payment	-37,327					
Total WRVUs	2,453		2,516	2,984	5,500	5,898
Total Visits	2,010		2,197	2,668	4,865	5,055
Revenue Per Visit	\$ 82		\$ 113	\$ 125	\$ 119	
Subsidy Per Visit Before FTE Adj	\$ 34		\$ 79	\$ 76	\$ 77	
Subsidy Per Visit After FTE Adj	\$ 18					

### Highlights for OFHC

- Revenue and visits favorable to budget
- A variety of one time or annual expenses hit in this first quarter putting them over budget on several line items.
- This was substantially offset by a favorable payroll expense variance resulting in total expenses being over by \$3.6K
- Clinic net loss was favorable to budget by \$13,688 (subject to confirmation by Aimee)

### Highlights for UW

- Revenue and visits below budget for the quarter and YTD
- Total labor costs ran over budget for the quarter by \$20,567 but are below budget YTD
- Billing fees below budget for quarter and YTD
- Supplies and Pharmaceuticals over budget for quarter and YTD
- Other Operating Expenses over budget for quarter and YTD
- Equipment Repairs and Purchases are at \$18K YTD (including new refrigerator/freezer)

### Summary and Next Steps

- Comparison of the clinics remains a challenge and a better understanding of how each clinic accounts for certain expenses is needed to create a valid comparison.
- We will continue to work with both clinics to clarify certain expenses and reporting.
- If the per visit subsidy comparison is our desired measurement, we may need to do some additional analysis to confirm each clinic's definition of visit is the same.

### 4/15/2019 Clinic Updates – OFHC

- In the next quarter OFHC to break patient revenue out to show billed revenue and contractual adjustments. OFHC will add gross charges and write offs, and try to anticipate uncollectable patient balances.
- Cost of vaccine fridge and freezer of \$2,511.80 not yet reimbursed.
- Additional estimated start-up costs for vaccine program of approximately \$7,000 wasn't in budget and will need to be reimbursed.
- Bank service charges are patient card processing fees, credit card finance charges, annual renewal card fees, and fees Quick Books charges for payroll.
- Karen had always received an additional payment for on call time, per weeknight and weekend. It was negotiated in her original contract. The payroll budget was estimated based on historical pay which did include that compensation. Jennifer Utter is paid hourly as she comes in to see patients.
- Deductions to Q'2 2019 Grant payment to include:
  - o MD Reduction - Using the same model as UWNC with 1.0 FTE based on 36 patient contact hours/week and 47 weeks worked per year. A 1.0 FTE MD works 1,692 hours per year, or 423 hours per quarter. When compared to Dr. Shinstrom's 168 quarterly hours worked, the resulting FTE is .397.

- The current amount of reduction is \$1,831 per every .1 FTE below 1.0. To determine the grant reduction associated with the reduced MD FTE we take  $\$1,831 \times 6$  (1.0 FTE compared to .4 FTE)  $\times 3$  (Oct – Dec 2018) = **\$32,958 for the MD FTE reduction.**
- Revised Q'4 2018 Loss – after correcting a formula error, the Q'4 financial report shows a Net Loss of \$68,619, which is **\$13,688 less than paid.**
- TOTAL GRANT REDUCTION - a total deduction to the Q' 2 2019 grant payment of \$46,646 results in the next grant reduced from **\$82,500 to \$35,854.**

Regarding Future Quarter notes:

- Will look to vary quarterly grant payments to better align with predictable expenses and improve cash flow.
- Dr. Shinstrom is working on the productivity-based portion of the compensation package which will implement with Karen's replacement.
- WRVUs implementation is just beginning.
- Continued work to be done on reporting formats.

**4/15/2019 Clinic Updates - UWNC**

- Detail on why **"Supplies and Pharmaceuticals"** are 20% over budget and so much higher than OFHC on a per visit basis (\$18 vs \$7). They believe it is likely linked to the nature of the services being provided at each clinic and the revenue per visit.

UWNC under budgeted vaccines because they were under the impression that many of the patients received their vaccines at the local public health clinic. They now believe that many of the patients just received their vaccines prior to UWNC taking over the clinic in 2018, which is why the expense wasn't included in their budget predictions for FY19 and is on their radar for the FY20 budget.

- What's driving the large variance in **"Other Operating Expenses"** leading to a negative variance to budget (1.78). We know approx. \$7K is the refrigerator/freezer that remains unreimbursed. Utilities came in higher, and we received a list of all utilities as YTD budget was \$5k compared to YTD actual of \$8k. OPALCO is coming in approx. \$700-800/mo. There appeared to be an issue with janitorial services that were annualized incorrectly which could have resulted in budget assumptions being off. There was also what sounded like a catch up on print/copier service due to an issue with the meter.

Confirmed janitorial services were under budgeted – also corrected for FY20 but will remain a variance through FY19. There was a one-time catch up for copies at Orcas.

- Since provider FTEs and compensation are on track, what is driving **Provider Benefits** to be approx. 16% over budget? This appears to be another instance where the annualizing for FY18 impacted the FY19 budget. Their previous budget process pulled the YTD average for the individual's coverage and then annualized it while adding the expected increase in benefit cost – it looks like

two providers were manually adjusted to get a full year budget and two were not. Having a full year of activity for FY19, plus a better understanding of the clinic operations, has been immensely helpful in the FY20 budget process.

- UW YTD visits through March 2019 are 7,232. This is 65% of the budgeted visits at 75% of the way through the year. Since is their first year of operation with a full staff we need to recognize that forecasting the quarterly trends was difficult and need to focus on the feasibility of reaching the annual goal. In addition, their budget spread assumed their “typical” seasonality patterns which spike in the winter months with flu season. We know that isn’t necessarily accurate on Orcas and that will drive part of the negative variance. We will revisit how visits are spread in the FY’ 20 budget to more accurately represent Orcas patterns.