

UNIVERSITY OF KENTUCKY BOARD OF TRUSTEES



Craig C. Collins, Senior Vice President for Health Affairs and Chief Financial Officer

Colleen H. Swartz, Acting Chief Operations Officer and Vice President for Hospital Operations



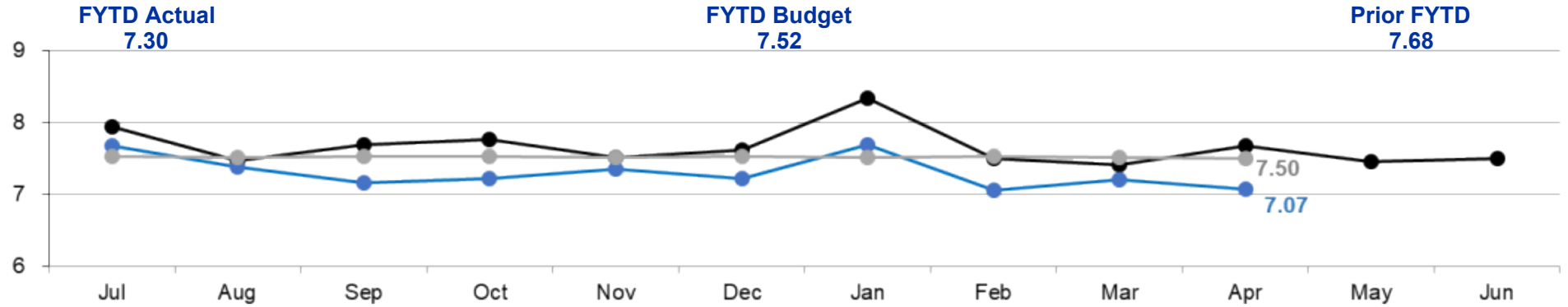
**FINANCIAL AND
OPERATIONAL UPDATE
FY24 APRIL**

KEY STATISTICS

AVERAGE LENGTH OF STAY (DAYS)



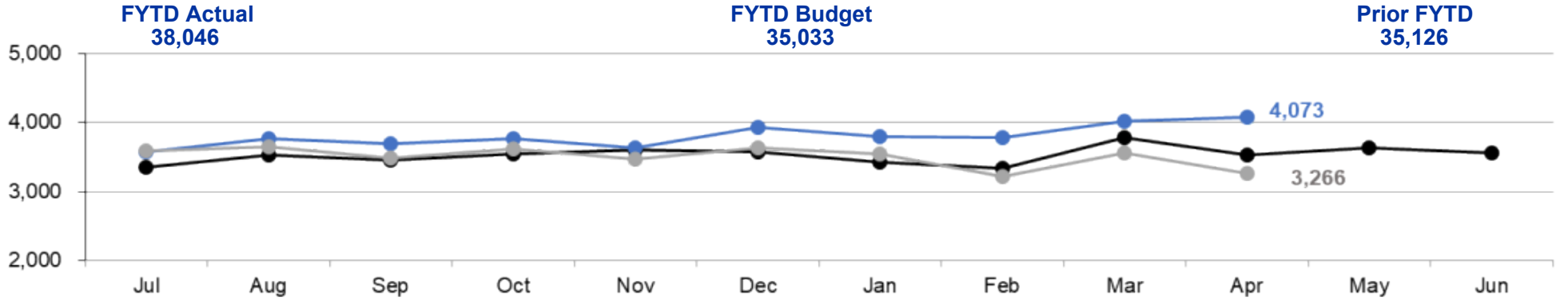
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TOTAL DISCHARGES



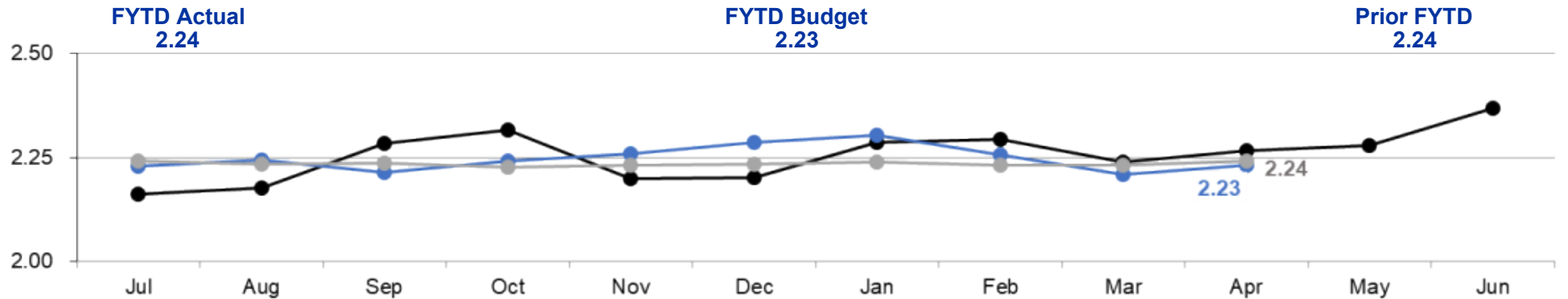
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CASE MIX INDEX



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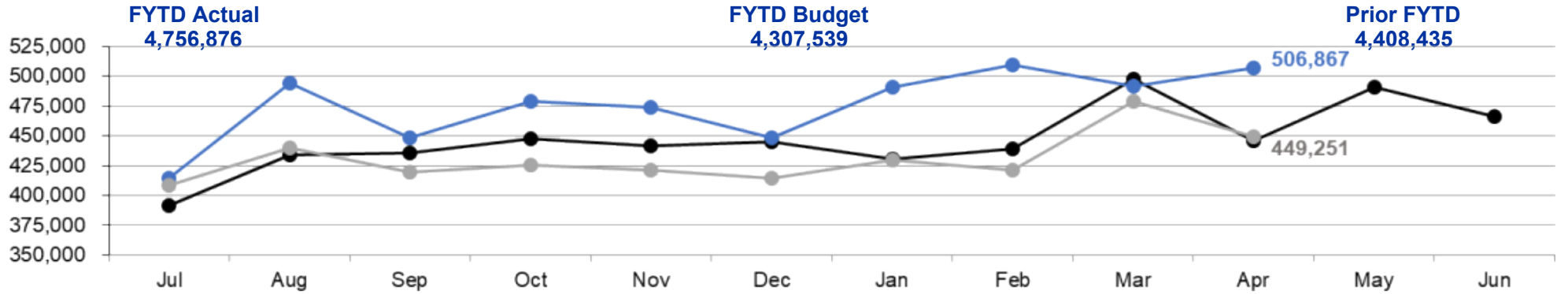
● FY2023 ● FY2024 ● FY2024 Budget

KEY STATISTICS

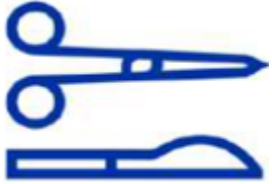
RVUs



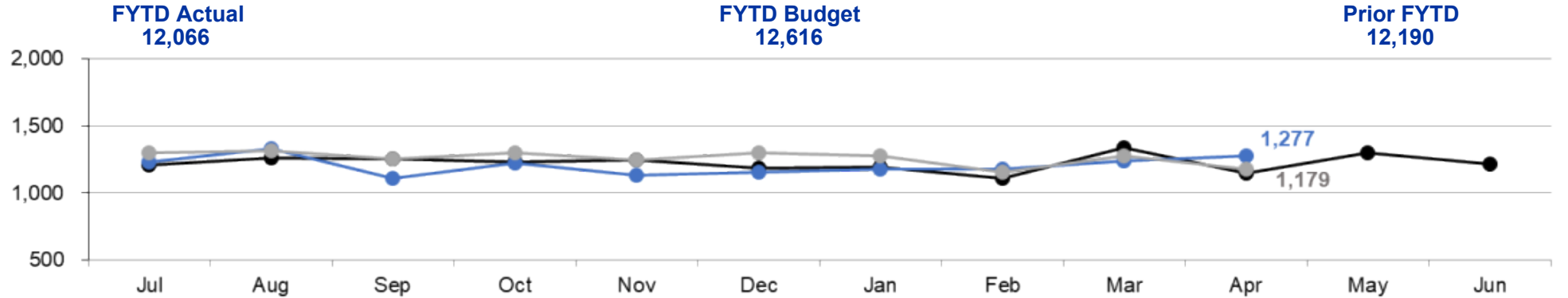
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INPATIENT OR CASES



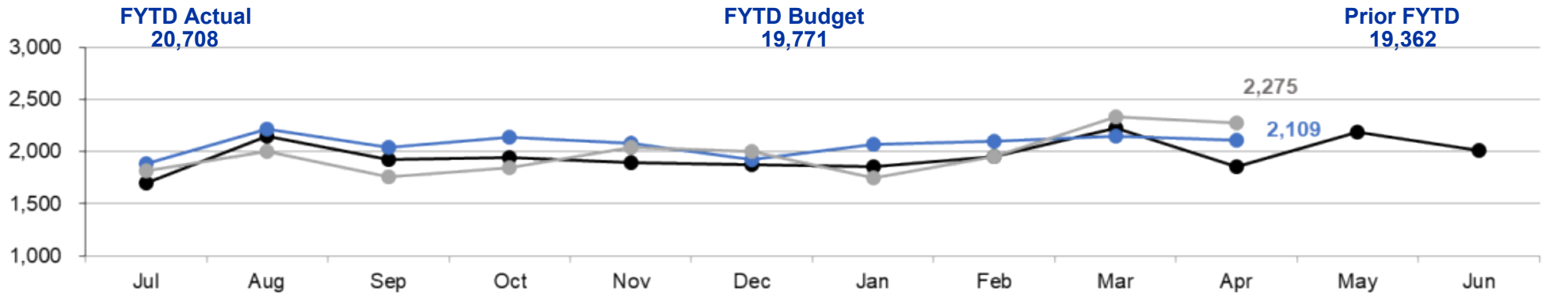
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OUTPATIENT OR CASES



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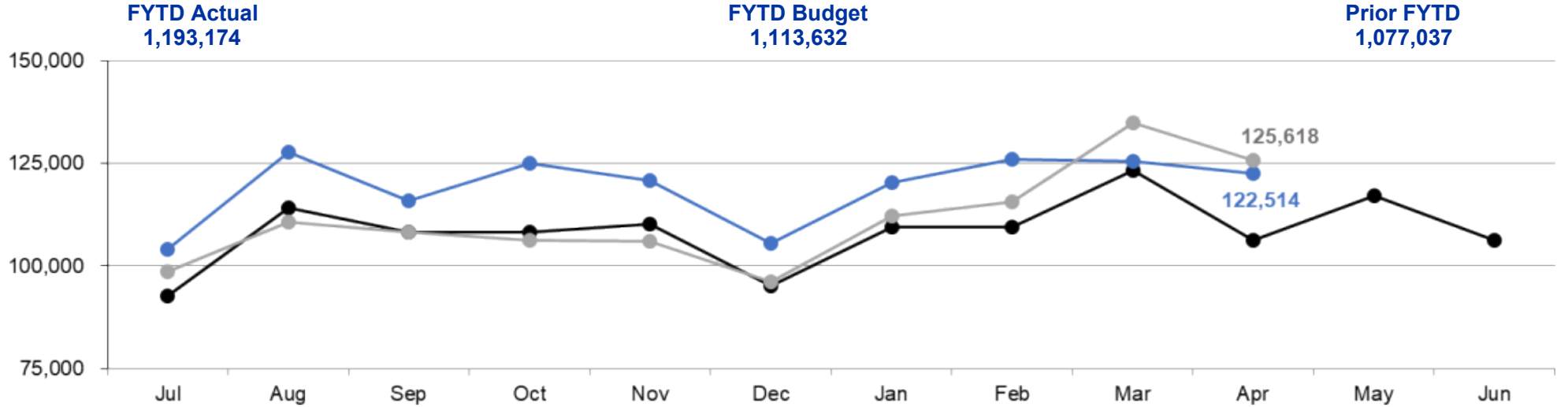
● FY2023 ● FY2024 ● FY2024 Budget

KEY STATISTICS

**UKHC MEDICAL PRACTICE
GROUP TOTAL SERVICE
VOLUME
(TOTAL AMBULATORY
VOLUME)**



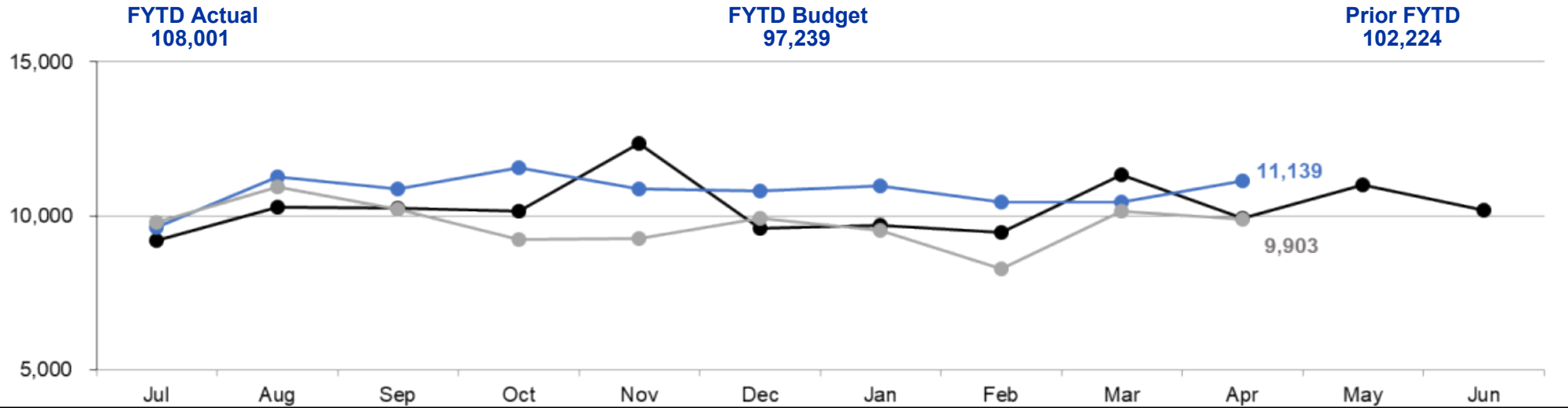
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**EMERGENCY
DEPARTMENT CASES**



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● FY2023 ● FY2024 ● FY2024 Budget

YEAR-TO-DATE—APRIL 2024

	FY2024 April YTD Actual	FY2024 April YTD Budget	Variance
OPERATING REVENUES			
Net Inpatient service revenues	\$ 1,242,391	\$ 1,263,807	\$ (21,416)
Net Outpatient service revenues	1,668,938	1,507,291	161,647
Prior year adjustments	44,782	-	44,782
Sales, services and other revenue	97,525	101,664	(4,139)
Total operating revenues	<u>3,053,636</u>	<u>2,872,762</u>	<u>180,874</u>
OPERATING EXPENSES			
Personnel expense	1,054,573	1,028,884	25,689
Variable expenses	776,632	703,064	73,568
Fixed expenses	815,074	754,442	60,632
Interest expense	15,779	16,896	(1,117)
Depreciation and other	95,681	116,203	(20,522)
Total operating expenses	<u>2,757,738</u>	<u>2,619,488</u>	<u>138,250</u>
Net income from continuing operations	<u>295,897</u>	<u>253,273</u>	<u>42,624</u>
	9.7%	8.8%	0.9%
NONOPERATING REVENUES (EXPENSES)			
Investment income (loss)	88,914	73,077	15,837
Other	(16,931)	(2,416)	(14,516)
Net nonoperating revenues (expenses)	<u>71,983</u>	<u>70,661</u>	<u>1,322</u>
Net Income	\$ 367,880	\$ 323,934	\$ 43,946
	12.0%	11.3%	0.8%

ROYAL BLUE HEALTH YEAR-TO-DATE—APRIL 2024

	FY 2024 April YTD Actual	FY 2024 April YTD Budget	Variance
OPERATING REVENUES			
Net patient service revenues	\$ 822,319	\$ 752,976	\$ 69,343
Prior year adjustments	-	-	-
Sales, services and other revenue	69,591	57,055	12,536
Total operating revenues	<u>891,910</u>	<u>810,031</u>	<u>81,879</u>
OPERATING EXPENSES			
Personnel expense	446,432	435,428	11,004
Variable expenses	167,478	156,573	10,905
Fixed expenses	119,777	116,938	2,839
Interest expense	8,587	8,219	367
Depreciation and other	39,084	39,757	(673)
Total operating expenses	<u>781,358</u>	<u>756,916</u>	<u>24,442</u>
Net income from continuing operations	<u>110,552</u>	<u>53,115</u>	<u>57,437</u>
	12.4%	6.6%	5.8%
NONOPERATING REVENUES (EXPENSES)			
Investment income (loss)	24,413	7,594	16,820
Other	48	-	48
Net nonoperating revenues (expenses)	<u>24,462</u>	<u>7,594</u>	<u>16,868</u>
Net Income	\$ 135,013 15.1%	\$ 60,708 7.5%	\$ 74,305 7.6%

CONSOLIDATED YEAR-TO-DATE—APRIL 2024

UK HealthCare and Royal Blue Health

	FY 2024 April YTD Actual	FY 2024 April YTD Budget	Variance
OPERATING REVENUES			
Net patient service revenues	\$ 3,733,648	\$ 3,524,074	\$ 209,574
Prior year adjustments	44,782	-	44,782
Sales, services and other revenue	167,115	158,718	8,397
Total operating revenues	<u>3,945,546</u>	<u>3,682,793</u>	<u>262,753</u>
OPERATING EXPENSES			
Personnel expense	1,501,004	1,464,312	36,692
Variable expenses	944,110	859,638	84,473
Fixed expenses	934,851	871,380	63,472
Interest expense	24,366	25,116	(750)
Depreciation and other	134,765	155,960	(21,195)
Total operating expenses	<u>3,539,097</u>	<u>3,376,405</u>	<u>162,692</u>
Net income from continuing operations	<u>406,449</u>	<u>306,388</u>	<u>100,061</u>
	10.3%	8.3%	2.0%
NONOPERATING REVENUES (EXPENSES)			
Investment income (loss)	113,328	80,671	32,657
Other	(16,883)	(2,416)	(14,468)
Net nonoperating revenues (expenses)	<u>96,444</u>	<u>78,255</u>	<u>18,190</u>
Net Income	\$ 502,893	\$ 384,643	\$ 118,251
	12.7%	10.4%	2.3%

BUDGET ASSUMPTIONS AND 5-YEAR FORECAST

- Budget and forecast begin with volume projections
- Revenue assumptions assume historical payer/patient mix
- Directed payments based on current knowledge (stable state)
- Bad debt projected at pre-COVID experience
- Inflation factors for salaries, benefits and supplies/pharmaceuticals based on available external sources (e.g. Vizient, World at Work, local market)
- Performance improvement includes initiatives for:
 - Work force
 - Revenue optimization
 - Operational efficiencies
 - Capital Investments are planned across the entities for FY25 and beyond, totaling \$3.6 billion for the five years presented in the forecast.

FY25 BUDGET—KEY STATISTICS

Entity	Statistic	FY23 Actual	FY24 Projected	FY25 Budget
UK HealthCare	Total Discharges	42,302	45,345	46,784
	Average Length of Stay	7.65	7.13	7.43
	Case Mix Index	2.26	2.24	2.24
	Emergency Room Visits	123,415	129,031	141,546
	work Relative Value Units	5,235,161	5,661,686	5,942,181
Royal Blue Health	Total Discharges	19,065	19,997	20,534
	Average Length of Stay	4.20	4.00	4.00
	Case Mix Index	1.75	1.74	1.74
	Emergency Room Visits	71,949	74,270	78,058
	work Relative Value Units	2,473,312	2,674,845	2,818,064
Claire Blue Health	Total Discharges	5,822	5,945	6,253
	Average Length of Stay	4.70	4.54	4.50
	Emergency Room Visits	27,853	28,429	29,741
	work Relative Value Units	876,461	901,715	951,309
Total HealthCare	Total Discharges	67,189	71,287	73,571
	Emergency Room Visits	223,217	231,730	249,345
	work Relative Value Units	8,584,934	9,238,246	9,711,554

*Total Discharges are a definitional stat using discharges or admissions, depending on facility reporting

*UKHC Stats Prior to Performance Improvement Impacts

*CBH Stats estimated using due diligence documents

FY25 BUDGET

Values in Millions

	UK HealthCare		Royal Blue Health		Claire Blue Health		Total HealthCare	
	FY24 Projection	FY25 Budget	FY24 Projection	FY25 Budget	FY24 Projection	FY25 Budget	FY24 Projection	FY25 Budget
Net Patient Revenue	\$3,496.3	\$3,793.0	\$938.2	\$952.9	\$223.8	\$231.8	\$4,658.4	\$4,977.8
Other Operating Revenue	\$141.5	\$141.6	\$86.1	\$93.8	\$23.7	\$24.1	\$251.3	\$259.6
Total Operating Revenue	\$3,637.8	\$3,934.6	\$1,024.4	\$1,046.8	\$247.5	\$255.9	\$4,909.8	\$5,237.4
Total Operating Expenses	\$3,283.2	\$3,640.0	\$940.0	\$997.6	\$245.8	\$254.6	\$4,469.1	\$4,892.3
Excess of Revenue Over Expenses From Operations	\$354.6	\$294.6	\$84.3	\$49.1	\$1.6	\$1.3	\$440.6	\$345.1
Operating Margin	9.7%	7.5%	8.2%	4.7%	0.7%	0.5%	9.0%	6.6%
Net Non-Operating Revenue (Expense)	\$116.2	\$97.3	\$11.8	\$15.2	\$1.8	\$1.7	\$129.9	\$114.3
Income	\$470.8	\$391.9	\$96.1	\$64.4	\$3.5	\$3.0	\$570.6	\$459.4
Enabling Transfers	\$14.0	\$87.1	-	-	-	-	\$14.0	\$87.1
Net Income	\$456.8	\$304.8	\$96.1	\$64.4	\$3.5	\$3.0	\$556.6	\$372.3
Net Margin	12.6%	7.7%	9.4%	6.2%	1.4%	1.2%	11.3%	7.1%
Operating EBIDA Margin	15.9%	11.7%	13.8%	10.7%	3.6%	3.5%	14.9%	11.1%

FINANCIAL FORECAST

\$ Values in Millions

UKHC Standalone Comparison to Spring 2023 (\$ millions)

UKHC Standalone [Spring 2023 Forecast]	Projected					
	2024	2025	2026	2027	2028	2029
Excess Revenue Over Expenses	\$395.4	\$376.7	\$335.8	\$286.2	\$292.3	\$292.3
Unrestricted Cash	\$1,541.6	\$1,504.1	\$1,654.5	\$1,892.8	\$2,171.0	\$2,449.0
Total Debt	\$478.3	\$433.8	\$389.3	\$344.8	\$300.3	\$256.0
Capital Expenditures	\$443.2	\$501.0	\$298.6	\$179.3	\$153.5	\$153.5

UKHC Standalone [June 2024 Forecast]	Projected					
	2024	2025	2026	2027	2028	2029
Excess Revenue Over Expenses without Enablers	\$433.1	\$391.9	\$428.1	\$368.3	\$370.7	\$368.9
Unrestricted Cash	\$2,033.0	\$2,000.9	\$1,779.0	\$1,622.5	\$1,706.0	\$1,805.9
Total Debt	\$509.6	\$466.2	\$421.8	\$668.1	\$852.0	\$1,028.8
Capital Expenditures	\$285.7	\$525.5	\$886.6	\$817.6	\$739.7	\$648.5

Change in Unrestricted Cash	\$491.4	\$496.8	\$124.5	(\$270.2)	(\$464.9)	(\$643.3)
Days Cash on Hand	236.7	215.1	181.7	156.0	157.6	159.6

Key Updates:

- Outperformance on Cash and Income for FY2023 and FY2024
- Chandler Expansion Project Components with more after FY2029
- Bond fund assumptions for Chandler Expansion Project
- Supporting Projects and Infrastructure Projects for facilities
- UKHC Standalone assumes strong margins are maintained in future years based on initiatives and improvements

FINANCIAL FORECAST

\$ Values in Millions

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Supporting Long Range Plan and Major Projects

- Chandler Expansion Plan
- Enabling Projects
- Hamburg East Medical Office Building P3
- Rockcastle Community Connect
- Parking Projects
- Cancer Center/Advanced Ambulatory

QUESTIONS



FINANCE COMMITTEE RECOMMENDATIONS (FCRs)

FCR 16

Office of the President
June 13, 2024

Members, Board of Trustees:

CONSTRUCT CANCER/AMBULATORY FACILITY PHASE 2 (CANCER TREATMENT CENTER/AMBULATORY OUTPATIENT CENTER) CAPITAL PROJECT

Recommendation: that the Board of Trustees approve the initiation of the Construct Cancer/Ambulatory Facility Phase 2 (Cancer Treatment Center/Ambulatory Outpatient Center) 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.

On December 13, 2022, the Board approved the initiation of the construction phase of the Cancer Treatment Center/Ambulatory Outpatient Center capital project with an approved scope of \$500,000,000. This project includes multiple clinical care buildings and structured parking anchored by an approximate 260,000 square foot facility for cancer-specific services. This facility was originally planned to have three shelled floors for future growth.

Demands for cancer and ambulatory care have since increased significantly and the projected growth necessitates that UK HealthCare proceed with Phase 2 of the project including the fit-out of the planned shelled floors. Consequently, the project scope will increase to \$850,000,000 with the initiation of Phase 2 and will be funded with agency and private funds.

The revised scope of this project, authorized by the 2022 and 2024 Sessions of the Kentucky General Assembly, is within the total legislation authorization of \$900,000,000. Pending Board approval, the University will report the combination of Phase 1 and Phase 2 authorizations to the Capital Projects and Bond Oversight Committee.



FCR 17

Office of the President
June 13, 2024

Members, Board of Trustees:

IMPROVE CLINICAL/AMBULATORY SERVICES FACILITIES (KENTUCKY CLINIC STARBUCKS) CAPITAL PROJECT

Recommendation: that the Board of Trustees approve the initiation of the Improve Clinical/Ambulatory Services Facilities (Kentucky Clinic Starbucks) 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 renovate and expand the space for the Kentucky Clinic Starbucks. This location experiences heavy and consistent demand and the current space cannot adequately serve patients, staff and other customers.

This \$1,400,000 project, authorized by the 2024 Session of the Kentucky General Assembly, is within the total legislative authorization of \$50,000,000 and will be funded with agency funds.



FCR 18

Office of the President
June 13, 2024

Members, Board of Trustees:

IMPROVE CLINICAL/AMBULATORY SERVICES FACILITIES (REPLACE TWO ELEVATORS AT KENTUCKY CLINIC) CAPITAL PROJECT

Recommendation: that the Board of Trustees approve the initiation of the Improve Clinical/Ambulatory Facilities (Replace Two 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 replace elevators #7 and #8 at the Kentucky Clinic. The scope of work will include the replacement of all equipment and cabs associated with the elevators which have reached the end of their useful service lives.

This \$1,400,000 project, authorized by the 2024 Kentucky General Assembly, is within the total legislative authorization of \$50,000,000 and will be funded with agency funds.



FCR 19

Office of the President
June 13, 2024

Members, Board of Trustees:

ACQUIRE/IMPROVE MEDICAL/ADMINISTRATION FACILITY 3 (UK KING'S DAUGHTERS EMERGENCY DEPARTMENT, IMAGING AND ENDOSCOPY) CAPITAL PROJECT

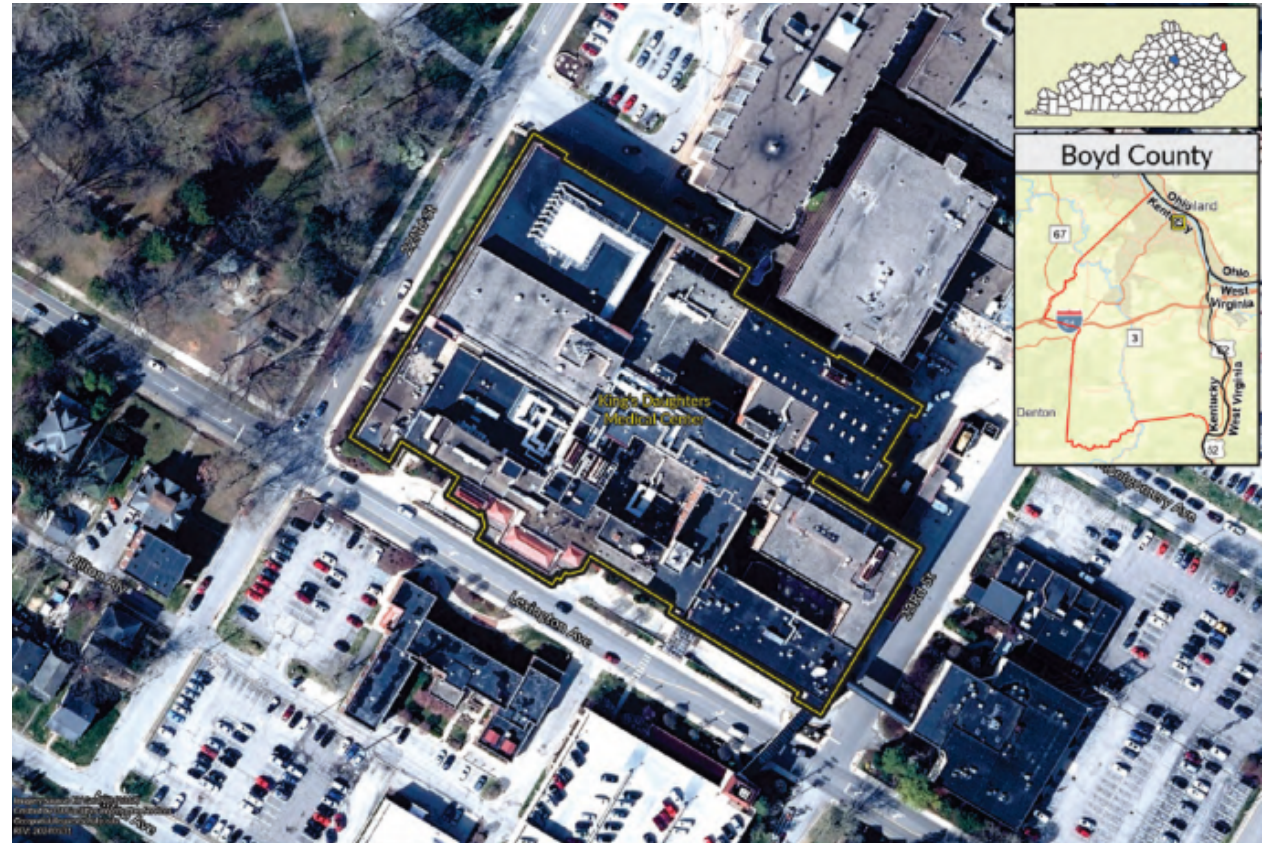
Recommendation: that the Board of Trustees approve the expanded scope of the Acquire/Improve Medical/Administration Facility 3 (UK King's Daughters Emergency Department, Imaging and Endoscopy) capital project.

Background: Prior to member substitution on December 1, 2022, King's Daughters Medical Center began a construction and expansion project on the main hospital campus in Ashland, Kentucky to serve current and growing future patient volume.

This project includes constructing a new main entrance, emergency and imaging departments, additional and more accessible parking for patients and visitors and 75 exam/treatment rooms, including rooms designed for treating specialty care needs such as trauma, pediatrics, bariatrics and behavioral health. There will also be a new separate, covered entrance for ambulances and law enforcement.

As construction has progressed, there is an opportunity to expand the project scope to add more departments such as endoscopy. Additionally, the current imaging department will be relocated so it is more accessible to the new emergency department and patient rooms. The Royal Blue Health Board approved the revised project scope on April 24, 2024.

This project, authorized by the 2022 Kentucky General Assembly, is not expected to exceed \$162,000,000 and is within the total legislative authorization of \$300,000,000. The project will be funded with agency funds.



FCR 20

Office of the President
June 13, 2024

Members, Board of Trustees:

CONSTRUCT SUPPORT SERVICES BUILDING
(ENVIRONMENTAL QUALITY MANAGEMENT CENTER)
CAPITAL PROJECT

Recommendation: that the Board of Trustees approve the initiation of the Construct Support Services Building (Environmental Quality Management Center) 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.

The Environmental Quality Management Center (EQMC) serves as the University's sole facility where all hazardous waste originating on campus is accumulated and processed per regulatory requirements prior to off-site shipment. This project will replace the existing facility, which is scheduled to be demolished due to the planned expansion of the Albert B. Chandler Hospital. The new facility will house Environmental Health and Safety Division staff and will ensure uninterrupted hazardous waste management operations and continued compliance with federal and state environmental regulations.

This \$25,000,000 project, authorized by the 2024 Kentucky General Assembly, is within the total legislative authorization of \$35,000,000 and will be funded with agency funds.



QUESTIONS

