Financial Analysis- November 2019

The below analysis looks at current year results through November 30, 2019 compared to prior year and FY20 budget. Overall, EMSA operations for FY20 have been positive. Both divisions continue to experience growth in volume with budget variances being primarily volume driven. See further analysis below:

Revenue:
Patient revenue continues to trend higher in FY20 as compared FY19 and as compared to budget. Patient revenue as of the end of November is 7% higher than the first 5 months of FY19. Although much of the increase is volume related, approximately 3% is due to the increase in the mileage rate to fair market value that went into effect August 2019. FY20 budget assumptions kept volume flat with FY19 which has resulted in a positive variance with budget of 5.2% through the end of November.

Although patient revenue is trending over 7% higher than the prior year, average deductions from revenue (DFR) are only trending at approximately 4% higher. Lower DFR results in a higher realization rate and increased net patient service revenue (NPSR). The YTD realization rate for FY20 is approximately 2% better than FY19 and 1.8% better than budget. The positive variance has declined from October primarily due to timing of payments.

The overall improved realization rate as compared to budget is primarily due to the significant decline in bad debt write-offs in the latter part of FY19 and the first part of FY20. Bad debt will begin to jump back up to more normal levels in the Spring of 20, causing a further decline in the YTD realization rate, bringing it in line with budget.

Operating Expenses:

Grant Activity- The trending income statement and the income statement compared to budget have grant revenue and expenditures embedded within the consolidated activity for FY20. Historically, we have not included grant activity within the EMSA financials. A top-sided entry would be done during the audit to adjust EMSA financials. However, when we reimagined the EMSA financial reporting structure, we included a grants department. This enables us to provide a level of transparency to grant operations not previously present and to ensure that the grant activities do not have a negative financial impact on EMSA operationally. EMSA only has 2 active grants in FY20, one of which ended at the end of October. The November 19 MTD and YTD operating expense report reflects EMSA operating expenses without grant activity.

Salary and Wages- Excluding grant payroll expenses, salary and wages are currently over budget $327K. This is primarily due to August having 3 pay periods and a retirement cash out of vacation and sick time. The residual budget overage is primarily due to contract labor. A significant amount of contract labor has been utilized since June due to the staffing turnover/shortage in the PBS department that began in late May. Budget overage for contract labor is currently $70K as of the end of November. This will taper off as soon as the PBS department is fully staffed again.

Professional and Contracted Services- This account grouping includes the ambulance contractor expense, quality assurance fee and other outsourced professional fees. YTD, this account is $1,000K over budget. This is due to ambulance contract expense exceeding budget by 5%, offset slightly by positive variances in other accounts. The ambulance contract expense variance tracks materially with the volume-driven revenue variance described above.

Repairs and maintenance- This account grouping includes equipment, vehicle and building maintenance and expenses associated with preventative maintenance contracts and software maintenance contracts. This account has a negative variance of $147K YTD due to higher than expected vehicle maintenance and an un-budgeted contract related to operative IQ in the software maintenance account.

Other expenses- This account grouping includes administrative and miscellaneous other expenses; such as, strategic partnership development, postage, and institutional memberships. However, the largest account in this grouping is software licenses and hosted services, which makes up 69% of the entire account grouping. This account houses the technology infrastructure licenses/subscriptions for the entire EMSA organization, which includes all of operations. This includes Microsoft licenses, virus protections, email, etc.

The variance for other expenses is approximately $166K. The largest variance is 129K in the software licenses and hosted services account, which is primarily due to an amount paid to early-terminate the Infor agreement of $50K and a $20K timing variance related to ACOG. The remaining variance is primarily due to renewal amounts with some agreements being higher than budgeted.

The other significant variance within in the account grouping is the strategic partnership account with a negative variance of $17K. This variance is due to EMSA purchasing equipment for the Tulsa Fire Department in the current fiscal year that was higher than the amount budgeted.

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Overall, average monthly operating expenses are 7% higher than FY19, with the largest increase being in ambulance contract expense, which is a primarily volume-driven variance. Additionally, FY19 expenses included approximately $700K of lawsuit settlements that were credited to legal fees. Average expense per month for FY20 and FY19 are adjusted below to eliminate the known volume and timing variances:

Operating Expenses				
	FY19	**FY20- YTD**	Variance	% change
Monthly Avg	5,725,323	6,108,391	(383,068)	-6.7%
Legal Settlements	58,333			
Timing adj for payroll		(120,000)		
CY Volume Adj		(225,000)		
	5,783,656	5,763,391	20,265	0.4%

Based on the table above, adjusted operating expenses for FY20 are trending at .4% higher than adjusted operating expenses for FY19. This is slightly better than the budgeted increase of 1% (when one-time credits are eliminated).