Financial Analysis- October 2019

The below analysis looks at current year results through October 31, 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. Patient revenue is averaging 7.7% higher in the first 4 months of FY20 as compared to 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% through the end of October.

Although patient revenue is trending over 7% higher than the prior year, average deductions from revenue (DFR) are trending relatively flat. Lower DFR results in a higher realization rate and increased net patient service revenue (NPSR). The YTD realization rate for FY20 is approximately 3.4% better than FY19 and 3.2% better than budget. This has the effect of increasing NPSR approximately $3m.

The improved realization rate is primarily due to the significant decline in bad debt write-offs in the latter part of FY19 and the first part of FY20. The decline is due to a large portion of accounts held at collections being written off at the beginning of FY19 when we switched collection agencies. Bad debt will begin to jump back up to more normal levels in the Spring of 20, causing a decline in the YTD realization rate of approximately 2 to 2.5%. However, it appears the realization rate will remain ahead of 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 impact on EMSA financially. EMSA only has 2 active grants in FY20, one of which ended at the end of October. The Oct19 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 $350K. This is primarily due to August having 3 pay periods, which added an additional $360k to salary expense in the month of August. As of October, this timing related variance is less than $270K and will continue to decline through December. 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 $50K as of the end of October. This will taper off as soon as the PBS department is fully staffed again.

Professional and Contracted Services- This account grouping includes the ambulance contract expense, quality assurance fee and other outsourced professional fees. YTD, this account is $770K 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. The contract expense is trending slightly higher than revenue due to the additional expense of staffing the ERU of approximately $28K a month. This additional ERU expense was not fully reflected in the budget.

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 $143K YTD due to higher than expected vehicle maintenance and un-budgeted contract related to operative IQ in the software maintenance account.

Other expenses- This account grouping includes administrative and miscellaneous expenses; such as, strategic partnership development, postage, institutional memberships and costs associated with software licenses and hosted services. The variance for this account grouping is approximately $160K. The largest variance is 119K 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 $21K. 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 7.8% 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	6,173,475	(448,152)	-7.8%
Legal Settlements	58,333			
Timing adj for payroll		(120,000)		
CY Volume Adj		(225,000)		
	5,783,656	5,828,475	(44,818)	-0.8%

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