



## Financial Analysis- February 2020

The below analysis looks at current year results through February 29, 2020 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.

	<u>Year to date as of Feb-2020</u>					
	<u>Actuals</u>	<u>Budget 2020</u>	<u>Variance</u>			
Revenue	51,774,484	48,473,642	3,300,842			
Operating Expense	49,182,596	45,854,577	-3,328,018			
Non-Operating Income	52,580	86,000	138,580			
Non-Operating Expenses	2,603,092	2,640,418	37,327			
<b>Net Income</b>	<b>41,376</b>	<b>64,646</b>	<b>-23,270</b>			

### Patient Revenue

Patient revenue continues to trend higher in FY20 as compared FY19 and as compared to budget. Patient revenue as of the end of February is 9.8% higher than the first eight months of FY19.

	<u>Actuals</u>				
	<u>FY20</u>	<u>FY19</u>	<u>Variance</u>		
Medical Transport Revenue	136,073,317	128,252,425	7,820,892		
Mileage	13,647,078	8,363,296	5,283,782		
Non Medical Transport	257,225	-	257,225		
<b>Gross Patient Revenue</b>	<b>149,977,620</b>	<b>136,615,721</b>	<b>13,361,899</b>	<b>9.8%</b>	

Although over 2/3 of the increase is volume related, the remaining portion 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 7% through the end of February.



## Contractuals and Deductions (DFR)

Although patient revenue is trending over 9% higher than the prior year, average deductions from revenue (DFR) are approximately 12% higher than prior year. Higher DFR results in a lower realization rate and decreased net patient service revenue (NPSR). The YTD realization rate for FY20 is approximately 1.4% lower than FY19 and .5% less than budget.

	FY20	FY19	Budget-FY20
Gross Patient Revenue	149,977,620	136,615,721	140,082,909
Contractuals & Deductions	(107,990,945)	(96,418,672)	(100,095,489)
<b>Net Patient Revenue</b>	<b>41,986,675</b>	<b>40,197,049</b>	<b>39,987,420</b>
<b>Realization Rate</b>	<b>28.0%</b>	<b>29.4%</b>	<b>28.5%</b>

The overall decline in the realization rate as compared to budget is primarily due to the significant increase in bad debt write-offs that occurred in December 19, January 20 and February 20 due to cleanup efforts of the patient financial services staff. Bad debt normalizes in March bringing the realization rate back in line with budget. This is a correction of the lower than normal write-offs experienced at the end of the FY 19 and beginning of FY20 related to bad debt.

## 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 re-imagined 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 February MTD and YTD operating expense report reflects EMSA operating expenses without grant activity. See YTD operating expenses below:



## Operating Expenses

	<u>Actuals</u>	<u>Budget 2020</u>	<u>Variance</u>
Salary & Wages	2,553,243	2,399,688	(153,555)
Benefits	788,950	815,077	26,127
Professional & Contracted Services	41,178,685	38,965,626	(2,213,058)
Training & Development	32,460	72,487	40,027
Supplies	283,705	262,979	(20,726)
Repairs & Maintenance	1,062,317	877,980	(184,337)
Utilities	1,066,947	976,248	(90,699)
Rent	371,137	352,454	(18,683)
Insurance	131,529	166,494	34,965
Public Relations	115,881	104,695	(11,186)
Other Expenses	1,105,589	858,593	(246,996)
<b>Total Operating Expense</b>	<b>48,690,443</b>	<b>45,852,321</b>	<b>(2,838,122)</b>

**Salary and Wages-** Excluding grant payroll expenses, salary and wages are currently over budget \$154K. This 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 Patient Financial Services department that began in late May. Budget overage for contract labor is currently \$128K as of the end of February. This will begin to taper off as staffing levels are corrected.

**Professional and Contracted Services-** This account grouping includes the ambulance contractor expense, quality assurance fee and other outsourced professional fees. YTD, this account is \$2.2M over budget. This is due to ambulance contract expense exceeding budget by 6%, offset slightly by positive variances in other accounts. The ambulance contract expense variance tracks materially with the volume-driven revenue variance described above in the patient revenue section.

**Repairs and maintenance-** This account grouping includes equipment, vehicle, and building repairs/maintenance expense. Also included in this account grouping are expenses associated with preventive maintenance contracts and software maintenance contracts. Overall, repairs and maintenance are 184K over budget YTD. This is primarily due to \$128K YTD negative variance in preventive maintenance contracts and a \$35K negative variance with software maintenance. Preventive maintenance variance is due to amounts billed by contractor from the prior fiscal year that were unbudgeted. The software maintenance variance is primarily due to an unbudgeted increase related to patient billing system of \$25K YTD.



**Other expenses-** This account grouping includes the following:

	YTD FY20	Budget	Variance
Compliance/Accreditation	14,751	9,820	-4,931
Board/Municipal Relations	2,449	4,800	2,351
Industry Governance Relations	11,185	14,008	2,823
Strategic Planning and Development	30,796	20,532	-10,264
Interdivisional Mgmt	31,366	8,800	-22,566
Bank&Other Fees	35,992	25,200	-10,792
Claims/Remittance Processing	186,774	190,960	4,186
Software Licenses/Hosted Services	753,198	567,076	-186,122
Institutional Memberships	39,080	17,397	-21,683
<b>Total Other Expenses</b>	<b>1,105,589</b>	<b>858,593</b>	<b>-246,996</b>

The variance for other expenses YTD is approximately \$247K. The largest variance is 186K in the software licenses and hosted services account. This account consists of software licenses, such as Microsoft, and subscriptions to hosted services, such as Adaptive Insights. These are systems/services we are subscribing to that we do not own the software platform.

The negative variance in this account is due in part to the ESO subscription cost exceeding budget by \$80K (YTD expense impact is \$35K), \$32K of unbudgeted expense associated with ESO implementation, \$32K for un-budgeted Operative IQ subscription, early termination costs associated with Infor contract of \$50K and approximately \$45K YTD related to maintaining the existing ePCR while ESO is implemented. The remaining variance is primarily due to renewal amounts with some agreements being higher than budgeted.

### YOY Operating Expense Comparison

Overall, average monthly operating expenses are 6% higher than FY19, with the largest increase in ambulance contract expense, which is a primarily volume-driven variance. Additionally, FY19 expenses include 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:



<b>Operating Expenses</b>					
		<b>FY19</b>	<b>FY20- YTD</b>	<b>Variance</b>	<b>% change</b>
Monthly Avg		5,725,323	6,086,305	(360,982)	-6.3%
Legal Settlements		58,333			
Timing adj for payroll			-		
CY Volume Adj			(265,000)		
		5,783,656	5,821,305	(37,649)	-0.7%

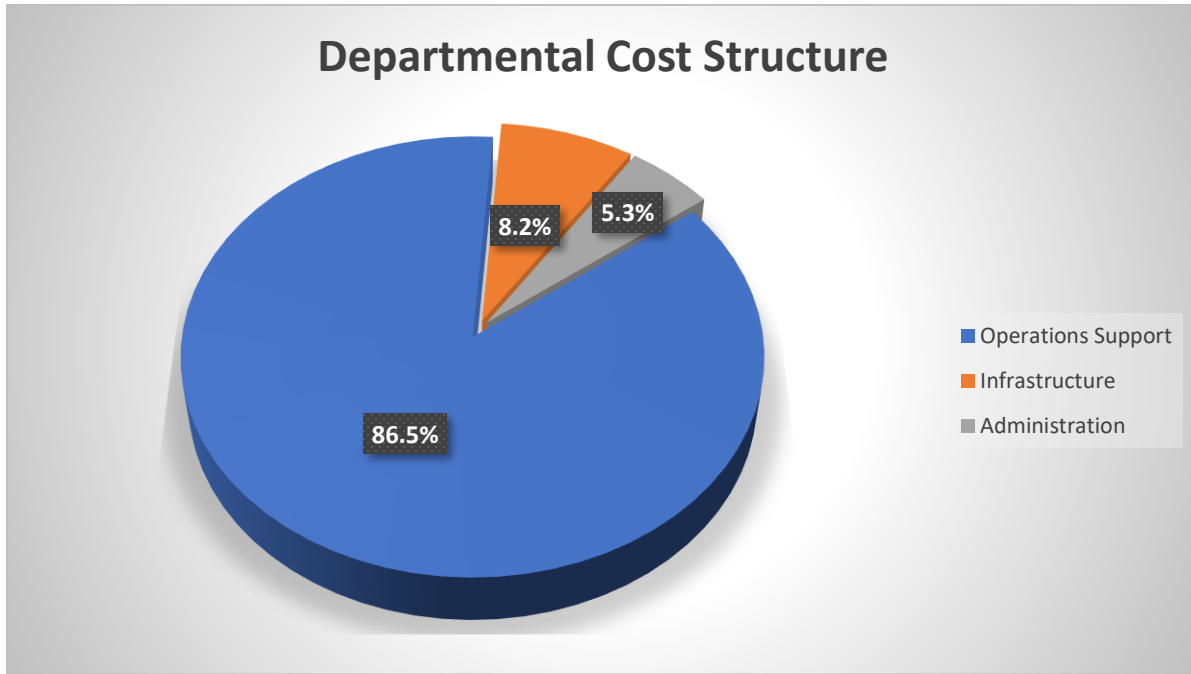
Based on the table above, adjusted operating expenses for FY20 are trending at .7% higher than adjusted operating expenses for FY19. This is slightly better than the budgeted increase of 1% (when one-time credits are eliminated).

### YTD Operating Expense by Department

The below expense report shows operating expense by department compared to budget. Keep in mind FY20 is the first time EMSA has budgeted down to a departmental level.

		<u>Year to date as of Feb-2020</u>		
		<u>Actuals</u>	<u>Budget 2020</u>	<u>Variance</u>
<b>Operations</b>		40,324,270	37,903,573	2,376,206
<b>Dispatch</b>		166,778	137,288	-29,490
<b>Operations Support</b>		1,608,179	1,401,054	-207,125
<b>Education/Training</b>		316	75,076	74,760
<b>Patient Business Services</b>		2,013,344	1,991,491	-21,853
<b>IT</b>		1,277,865	1,586,834	308,969
<b>Facilities</b>		696,523	718,862	22,339
<b>Admin</b>		2,311,056	1,454,237	-884,651
<b>HR/Finance</b>		173,531	378,021	204,490
<b>Community Relations/PR</b>		118,580	205,886	87,306
<b>Total Departments (Rollup)</b>		<b>48,690,443</b>	<b>45,852,321</b>	<b>1,930,950</b>

The largest variance is the operations department variance which is where the contractor expense is categorized. Admin variance is due to payroll costs that have not been allocated to other departments (HR/Finance, PR and IT). We are still working with payroll provider to get the new departmental structure implemented.



Administrative departments, which include salaries for management, make up the smallest portion of the EMSA cost structure at 5.3%. Infrastructure support includes facility, IT and patient financial services departments. The majority of operating funds, over 86%, go to support operations.