

Norman Regional Health System

FY 2027 Budget Presentation



FY 2027 Budget Presentation

Budget Highlights

- **Inpatient Volumes:**

- Discharges budgeted at 15,825 (0.2%) increase from FY 2026
- Patient Days budgeted at 68,039 (-0.2%) decrease from FY 2026
- Adjusted Discharges budgeted at 42,873 (0.1%) increase from FY 2026
- Adjusted Patient Days budgeted at 184,331 (-0.2%) decrease from FY 2026

- **Cath Lab Cases:**

- Inpatient Cases budgeted at 1,527 (-3.2%) decrease from FY 2026
- Outpatient Cases budgeted at 2,060 (0%) decrease from FY 2026

- **Surgical Cases:**

- Inpatient Cases budgeted at 2,904 (2.5%) increase from FY 2026
- Outpatient Cases budgeted at 8,447 (-1.9%) decrease from FY 2026



FY 2027 Budget Presentation

Budget Highlights (continued)

- **Ortho Central ASC Cases:**

- Cases budgeted at 2,547 (4.6%) increase from FY 2026

- **GI Endoscopy Cases:**

- Cases budgeted at 4,196 (-3.9%) decrease from FY 2026

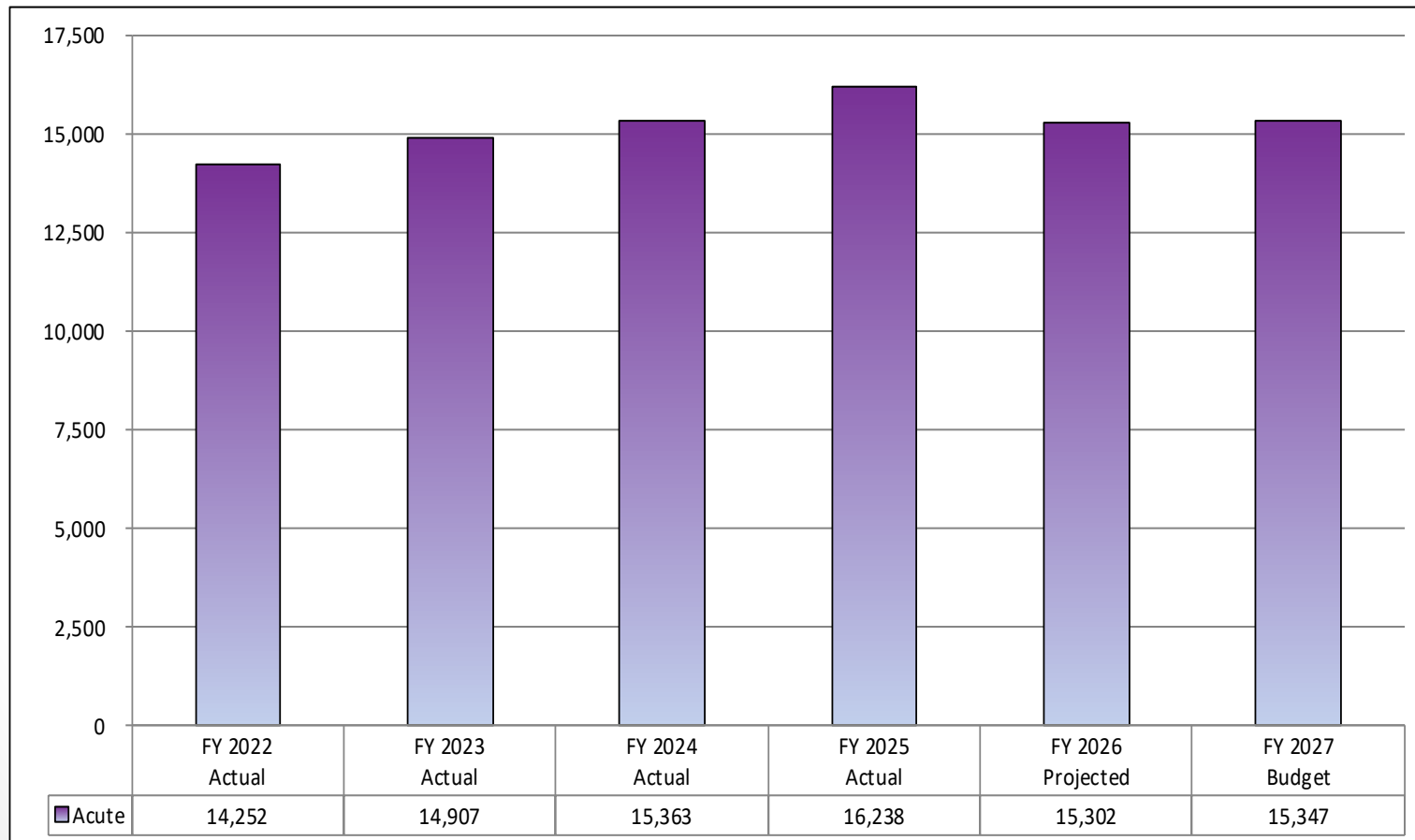
- **Clinic Visits:**

- Primary Care budgeted at 103,388 (-6.4%) decrease from FY 2026
- Urgent Care/Walk-In budgeted at 30,807 (-1.6%) decrease from FY 2026
- Specialty (excluding below) budgeted at 96,122 (5%) increase from FY 2026
- Ortho Central (Clinic & PT) budgeted at 93,650 (0.1%) increase from FY 2026
- Heart & Vascular budgeted at 40,906 (0%) increase from FY 2026
- Surgery budgeted at 28,344 (-13.3%) decrease from FY 2026
- Physical Therapy budgeted at 26,400 (2.7%) increase from FY 2026
- GI of Norman budgeted at 18,600 (19.9%) increase from FY 2026



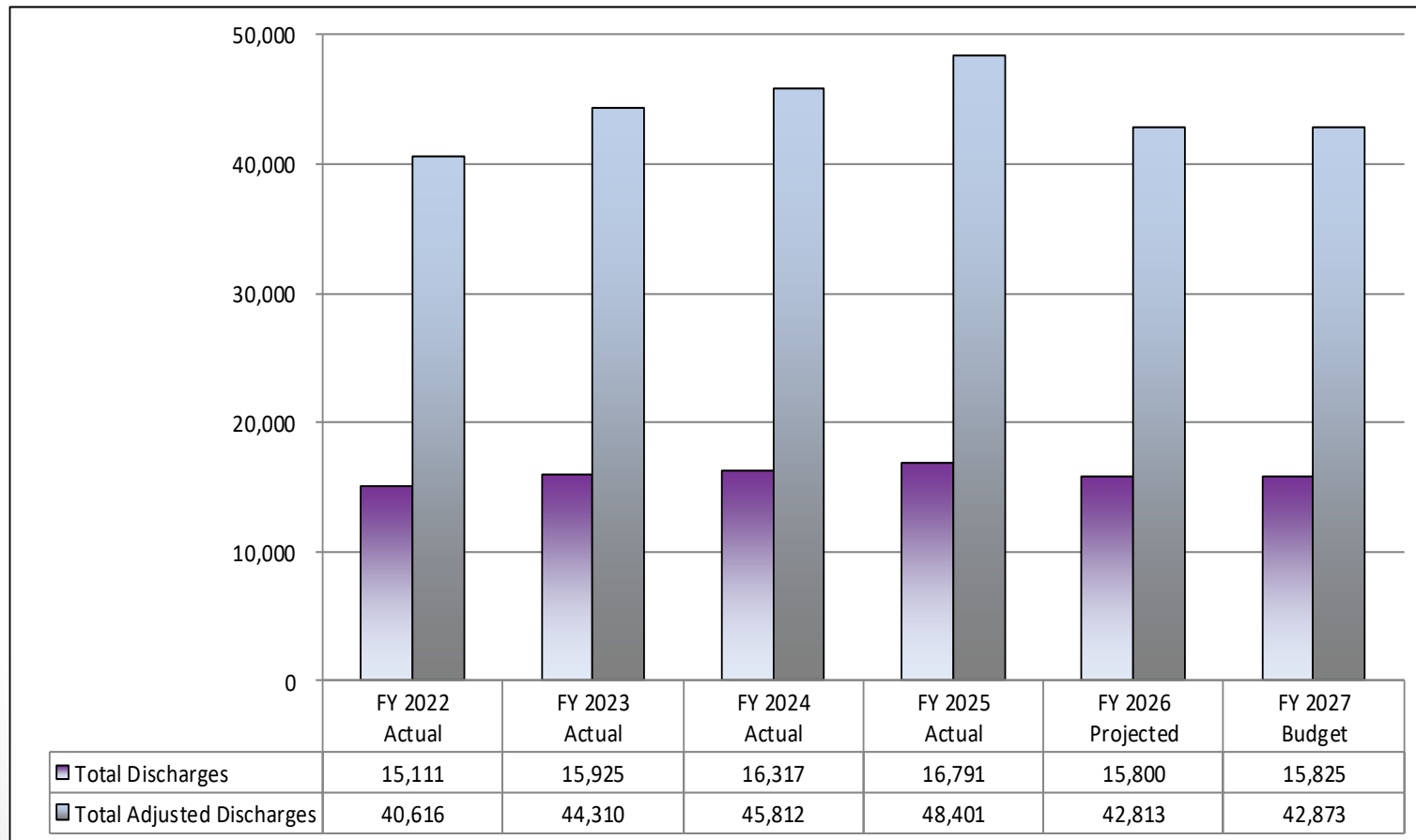
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Acute Discharges (includes NICU)

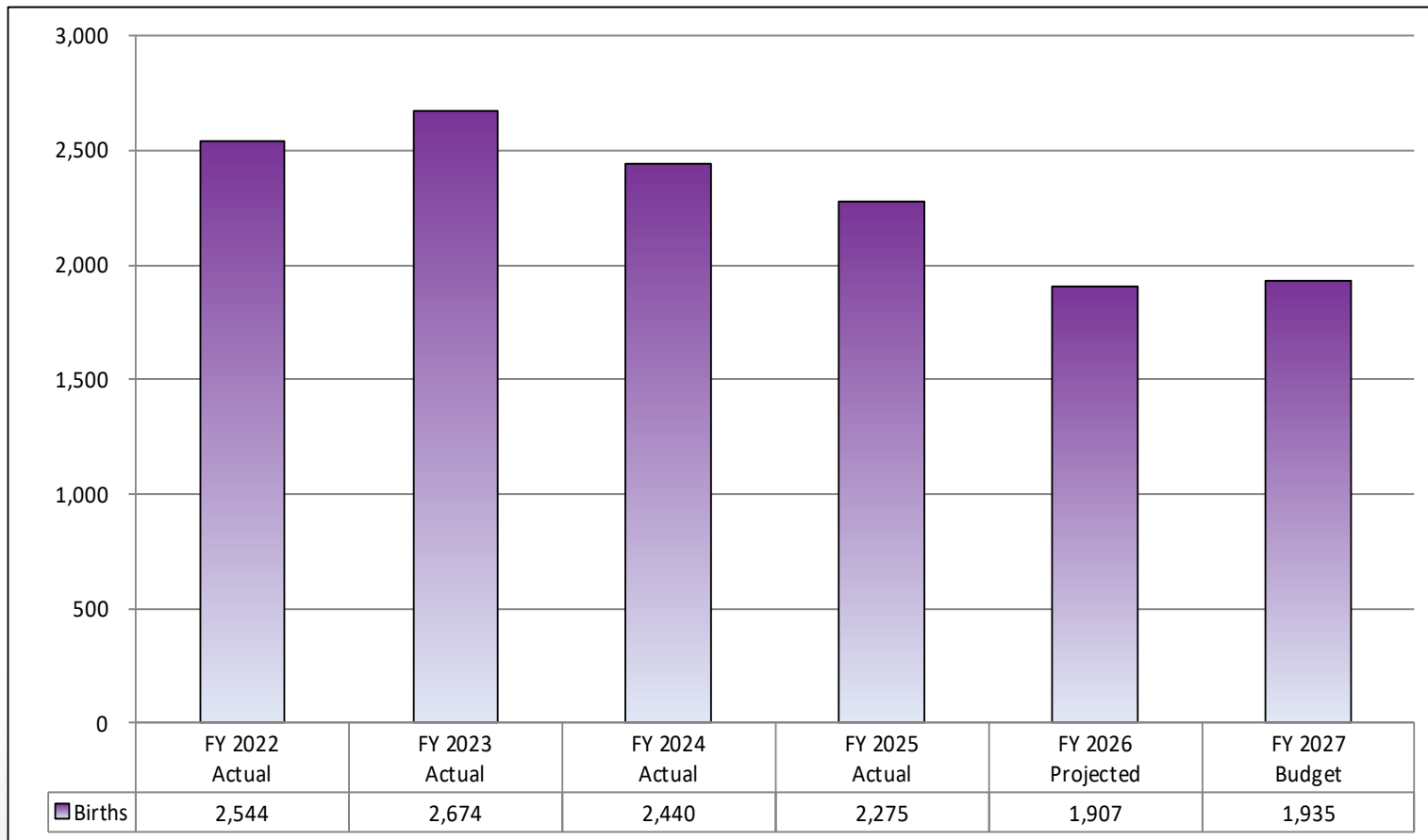


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Discharges & Adjusted Discharges

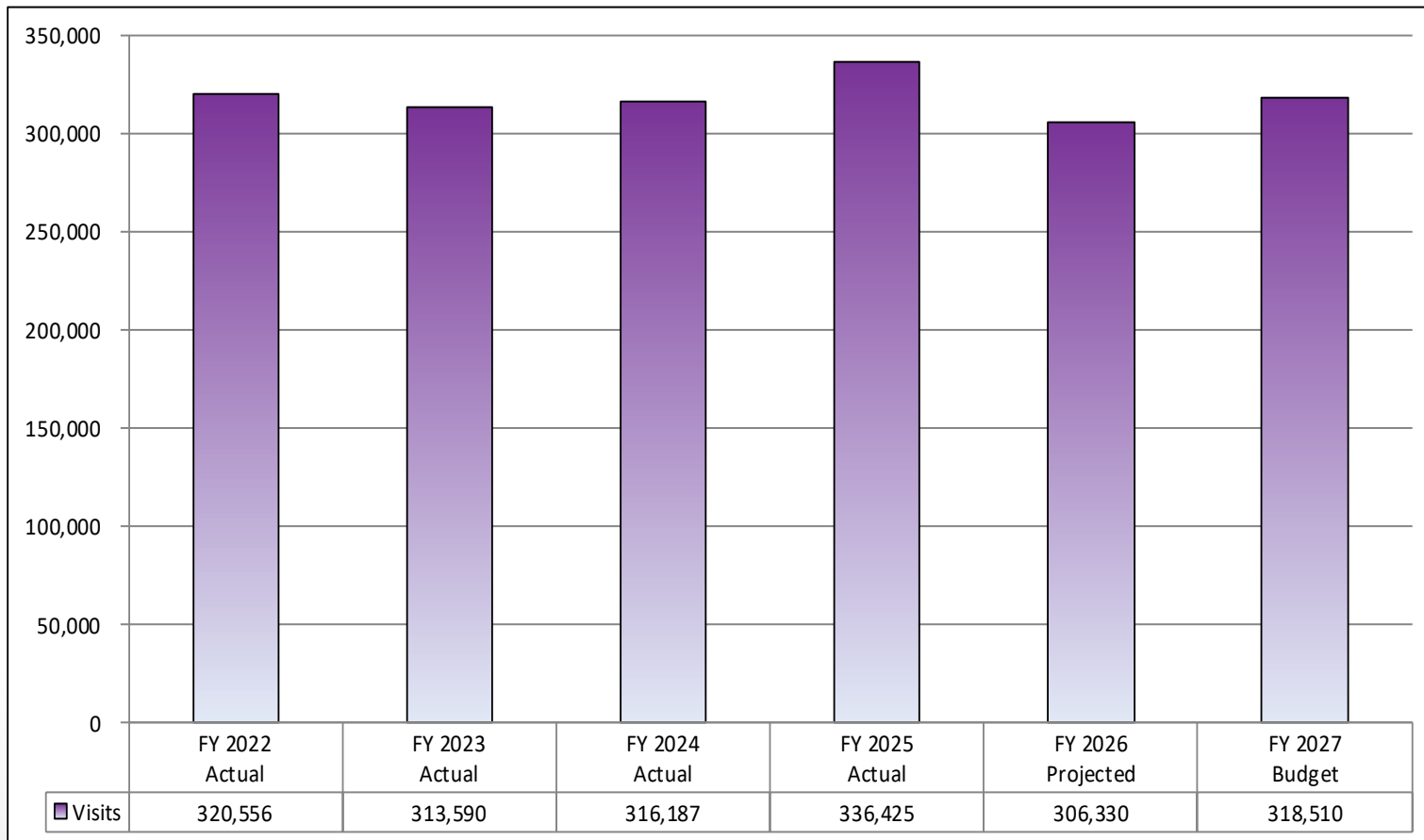


FY 2027 Budget Presentation Deliveries



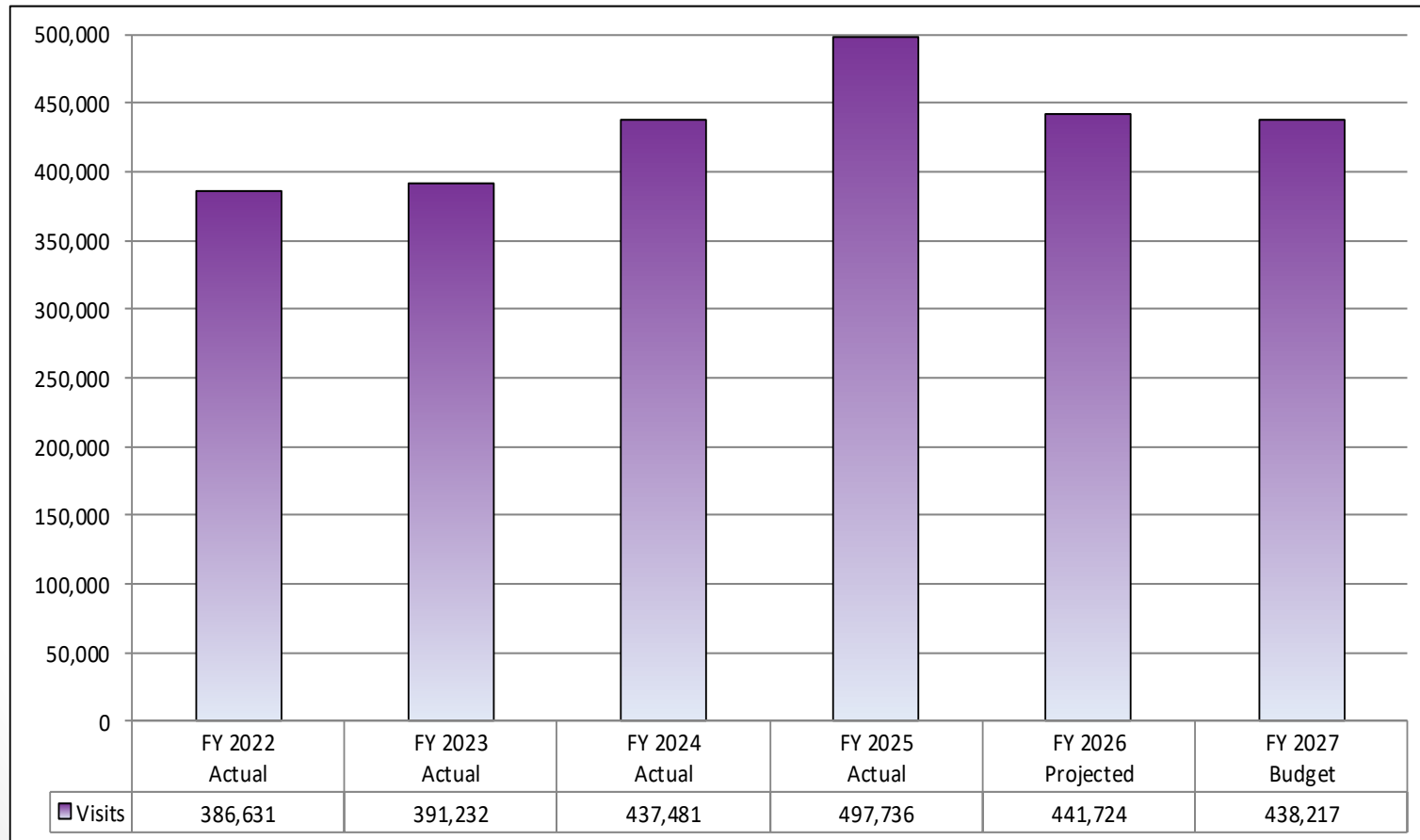
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Hospital Outpatient Registrations



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Clinic Visits *

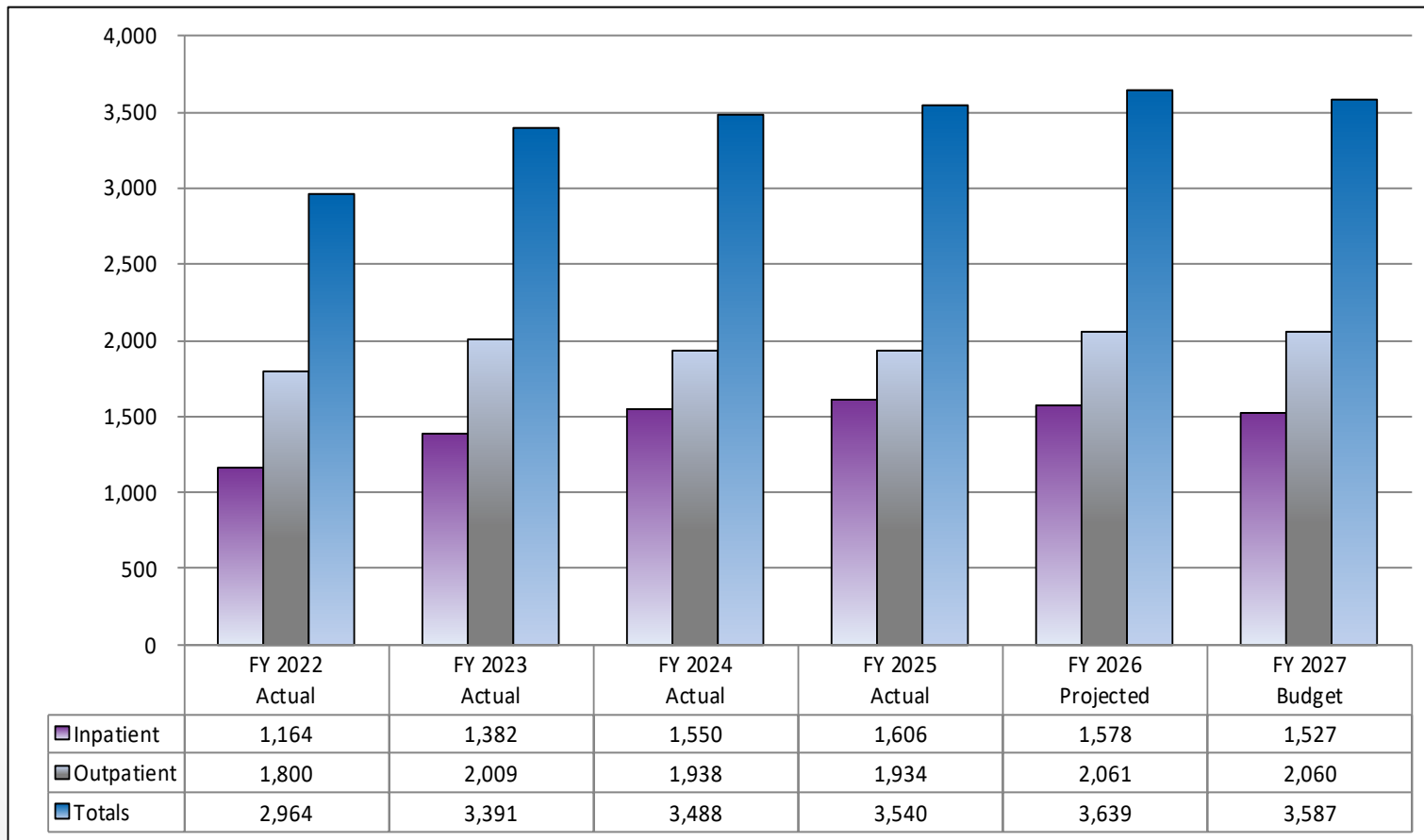


* Clinic Visits exclude Hospitalists, Intensivists, Behavioral Med, Physical Med & Rehab, Wound Care, Radiologists, & ED Physicians



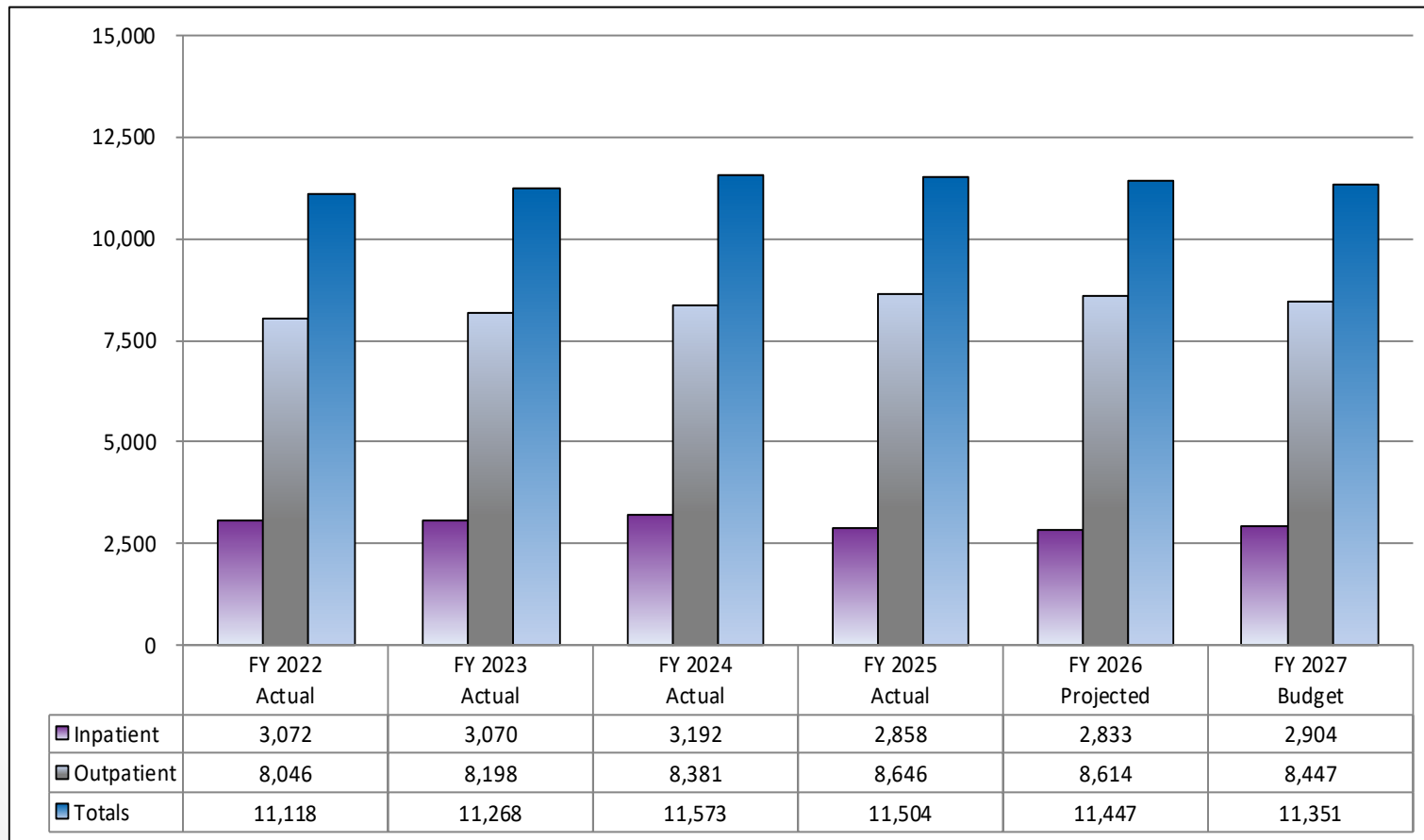
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Cath Lab Cases



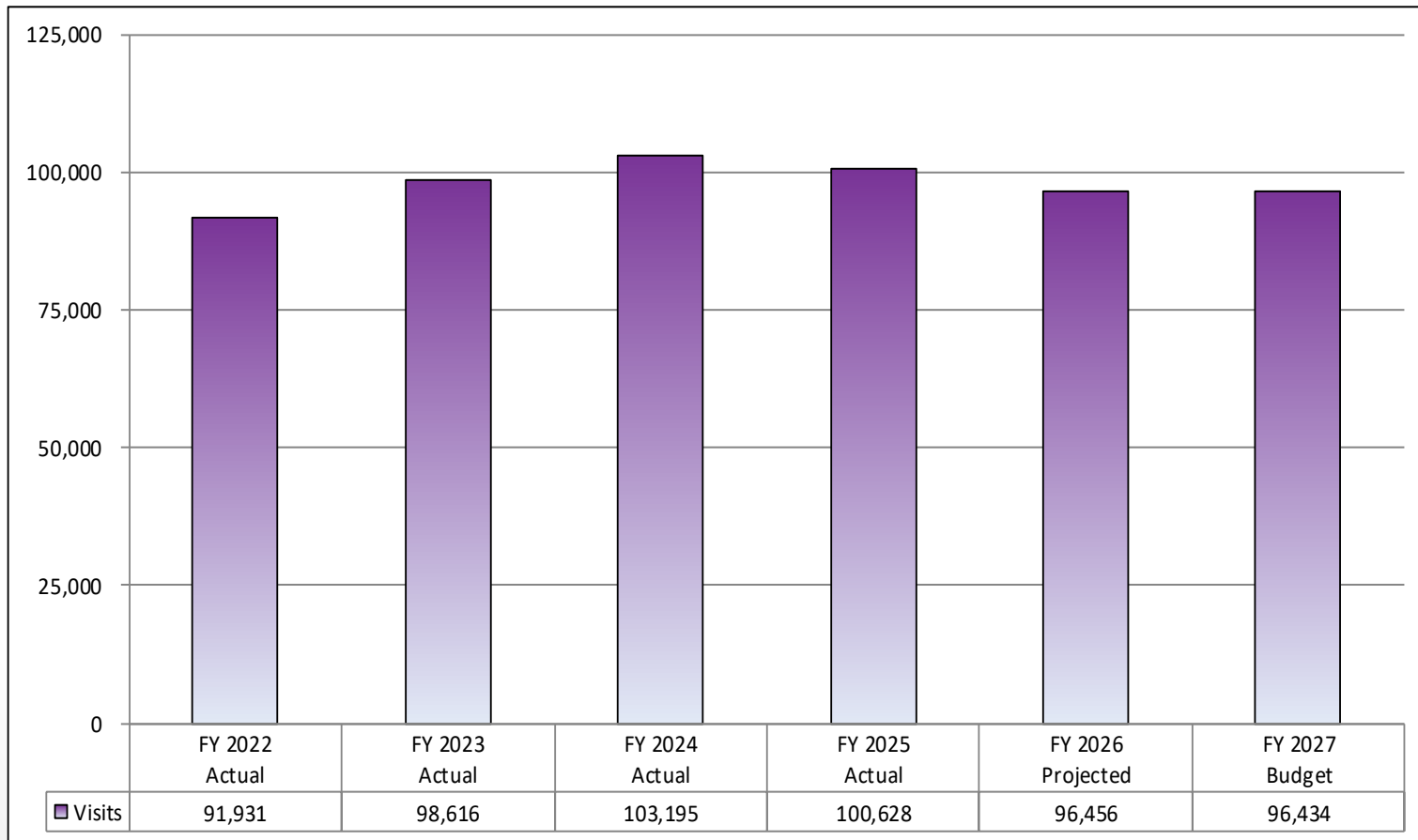
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Surgical Cases (excludes c-sections)



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Emergency Department Visits *



* Emergency Department Visits (including ED Admissions)



FY 2027 Budget Presentation

Budget Highlights (continued)

- **Gross Patient Revenue budget of \$2,796.6 million is 5.4% (\$143.9 million) more than FY 2026 projected**
 - \$53.3 million in Inpatient Revenue
 - \$49.5 million in inpatient hospital price increases
 - \$3.8 million in inpatient volumes
 - \$104.1 million in Outpatient Revenue
 - \$84.4 million in outpatient hospital price increases
 - \$19.7 million in Wound Care Center (returning Physician & new APC)
 - (\$14.0) million in Physician Revenue
 - (\$20.1) million in charges for closure of the Oklahoma Headache Center
 - \$3.8 million in charges for the Ortho Central Clinic & ASC
 - \$2.3 million in charges for volume growth in other clinics



FY 2027 Budget Presentation

Budget Highlights (continued)

- **Net Patient Revenue budget of \$595.1 million is 3.9% (\$22.5 million) more than FY 2026 projected**
 - (\$3.9) million for closure of the Oklahoma Headache Center
 - \$0.1 million for clinic price increases
 - \$0.5 million for revenue cycle bad debt vendor improvement
 - \$0.8 million for volume growth in other clinics
 - \$1.5 million in Medicaid SHOPP increased receipts in CY 2026
 - \$2.3 million for hospital price increases
 - \$2.3 million for increased Wound Care Center volumes
 - \$2.5 million for revenue cycle net final denial rate improvement
 - \$4.4 million for 4% reimbursement improvement in BCBS under the current contract
 - \$12.0 million in managed care payor contract reimbursement improvements starting in Q2



FY 2027 Budget Presentation

Budget Highlights (continued)

- **Other Operating Revenue budget of \$9.1 million is -9.3% (\$0.9 million) less than FY 2026 projected**
 - (\$0.9) million in Shared Savings from Lifecare
 - (\$0.4) million in TSET Grant Revenue
 - (\$0.2) million in Other Non-Recurring Payments
 - \$0.4 million in Retail Pharmacy
 - \$0.2 million in Cafeteria Re-opening



FY 2027 Budget Presentation

Budget Highlights (continued)

- **Non Operating Revenue budget of \$3.2 million is -41.3% (\$2.2 million) less than FY 2026 projected**
 - (\$1.1) million in Investment Income-Realized
 - (\$0.5) million (Cancer Center interest income from OUH, offset in interest expense)
 - (\$0.3) million in projected interest income on bank balances
 - (\$0.3) million full-year impact of OK Heart Hospital losses
 - (\$0.6) million in Investment Income-Unrealized market adjustments in Physician Fund
 - (\$0.5) million in Gain/Loss on Sale of Asset not recurring



FY 2027 Budget Presentation

Budget Highlights (continued)

- **Total Expense budget of \$635.9 million is 0.2% (\$1.4 million) more than FY 2026 projected**
 - \$6.2 million in Non-Physician Salaries
 - \$5.0 million in merit increases and market adjustments
 - \$1.2 million to support volume growth
 - (\$3.4) million in Physician Salaries
 - (\$3.7) million for full-year impact of clinical model changes
 - (\$0.7) million for closure of Oklahoma Headache Center
 - (\$0.3) million for other Physician changes
 - \$0.3 million for Wound Care Physician returning
 - \$1.0 million for Intensivists (offset by reduction in Physician Fees)
 - (\$2.0) million in APC Salaries
 - (\$1.0) million for full-year impact of clinical model changes
 - (\$0.6) million for other APC changes
 - (\$0.4) million for closure of Oklahoma Headache Center
 - \$0.6 million in Employee Benefits for non-recurring credits received in FY 2026



FY 2027 Budget Presentation

Budget Highlights (continued)

- **Expense budget continued**

- \$1.8 million in Physician Fees
 - \$2.8 million full-year impact of clinical model changes
 - (\$1.0) million decrease in Intensivists' locum tenens to employ Physicians in Q2
- (\$0.1) million in Professional Services for employing HIT Systems Analyst
- \$0.3 million in Supplies (excluding pharmaceuticals)
 - \$4.5 million for normal inflation and volume changes
 - (\$4.2) million for Vizient supply chain cost-saving initiatives
- (\$1.3) million in Pharmaceuticals
 - \$1.0 million for normal inflation and volume changes
 - (\$2.3) million for closure of the Oklahoma Headache Center
- \$0.9 million in Purchased Services
 - \$0.6 million for Vizient integrated supply chain, item master, and procure-to-pay services
 - \$0.3 million for Vizient performance fees on projected savings



FY 2027 Budget Presentation

Budget Highlights (continued)

▪ Expense budget continued

- (\$0.3) million in Leases (based on detailed lease schedules and some leases not being renewed)
- \$0.1 million in Utilities (based on inflation, offset by cost-saving measures)
- (\$0.7) million in Depreciation & Amortization (based on depreciation schedules & \$5.0 million routine capital)
- (\$1.5) million in Interest Expense (bond and lease interest based on amortization schedules)
- \$1.2 million in Insurance (6% increase in premiums & adjustments to the general liability reserve)
- \$0.9 million in Computer Services
 - \$0.4 million for replacing several vendors with FinThrive (offset by decrease in Billing & Collections)
 - \$0.3 million for contract rate increases from numerous vendors
 - \$0.2 million for Luma Health fax/AI inbox in Clinic Ops
- \$0.4 million in Service Contracts & Equipment Repairs for new equipment coming off of warranty
- (\$1.8) million in Billing & Collections
 - (\$0.9) million full-year impact of fee reduction for clinic vendor change (R1 to Legacy)
 - (\$0.5) million for full-year impact of other clinic volume changes
 - (\$0.4) million for replacing several vendors with FinThrive (offset by increase in Computer Services)
- (\$0.4) million in SHOPP Fees decreased payments in CY 2026
- \$0.6 million in Miscellaneous (Outside Laundry rate increase & Vizient fees previously offset in Rebates)



FY 2027 Budget Presentation

Budget Highlights (continued)

- **Budget Inflation Assumptions**

- **Salaries & Benefits:**

- Merit Increases (overall) 2.1%
 - Employee Benefits (overall) 2.5%

- **Supplies (normal inflation) by category:**

- Pharmaceuticals (Acute) 3.1%
 - Pharmaceuticals (OIC) 4.5%
 - Pharmaceuticals (Clinics) 2.9%
 - Medical Supplies 3.3%
 - Implants 2.3%
 - Surgical Instruments 2.9%

- **Other Expenses:**

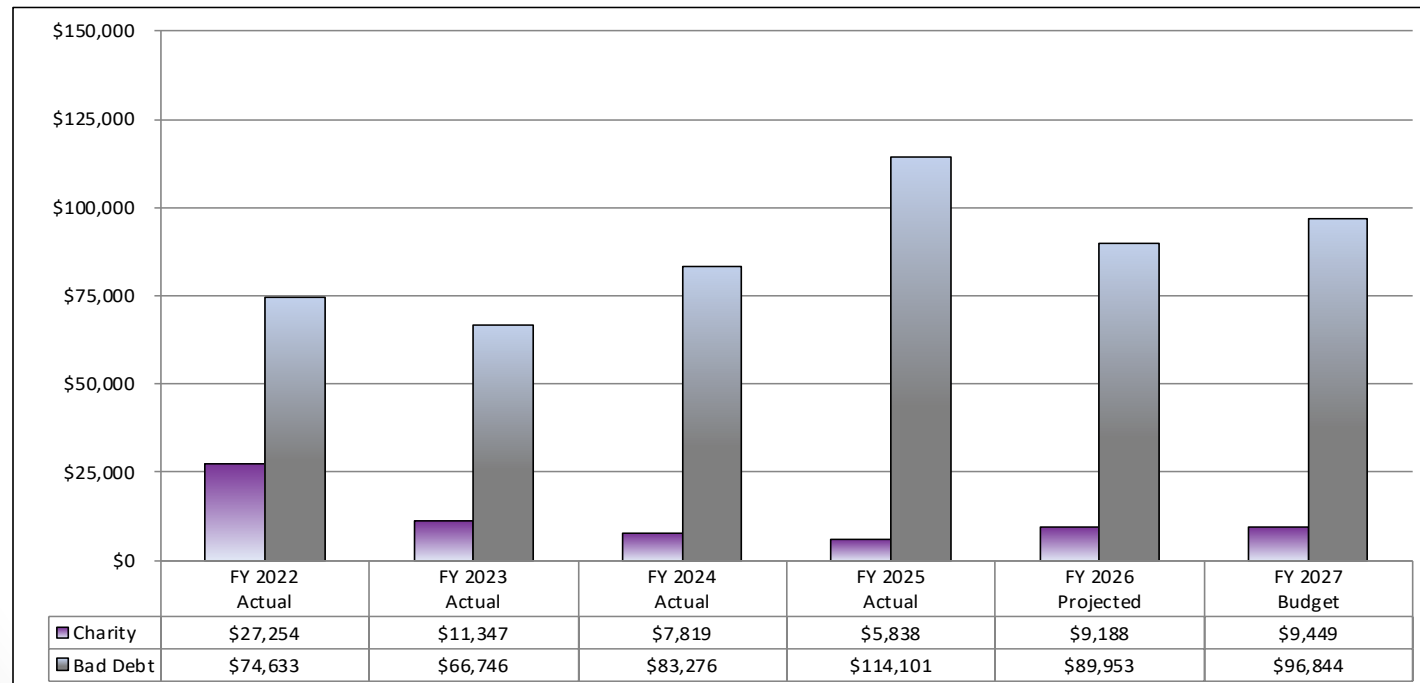
- Electric 3.8%
 - Gas 3.3%
 - Water 4.3%
 - Insurance 6.0%



FY 2027 Budget Presentation

Charity & Bad Debt Expense (\$ in 000's)

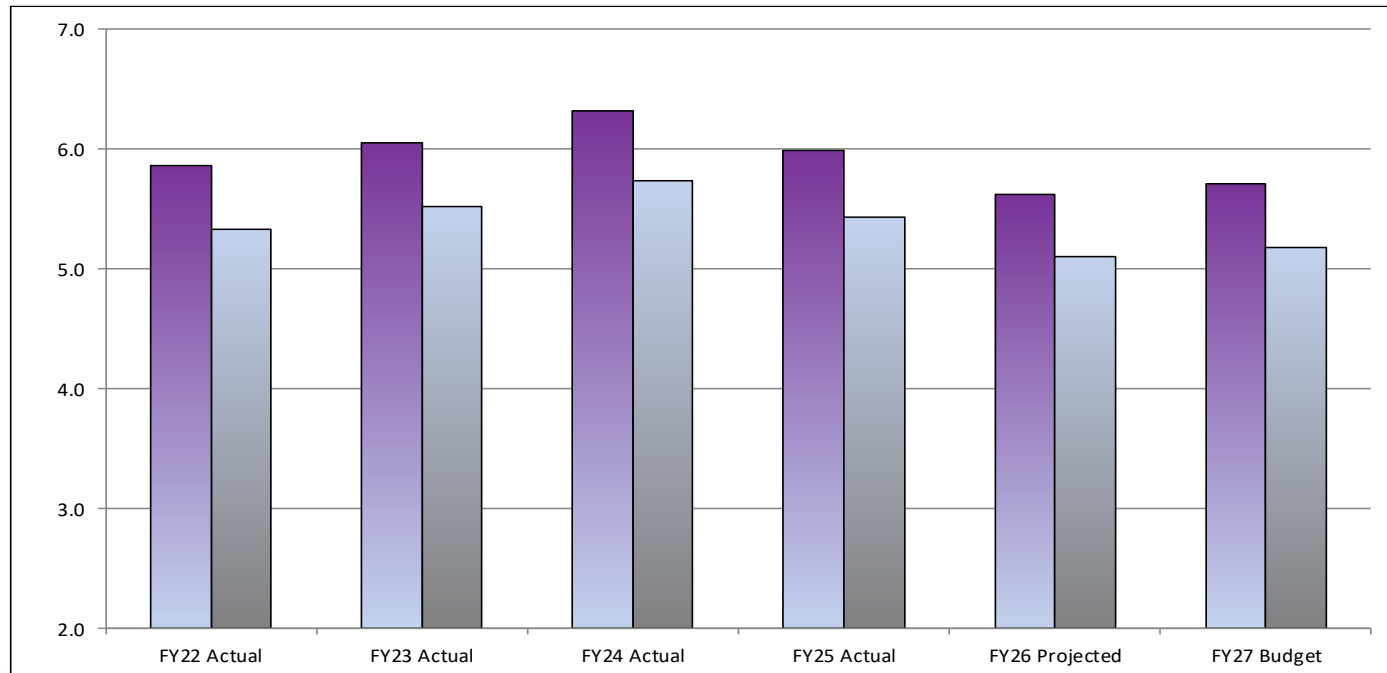
Year	FY 22 Actual	FY 23 Actual	FY 24 Actual	FY 25 Actual	FY 26 Projected	FY 27 Budget
Actual	\$101,887	\$78,094	\$91,096	\$119,940	\$99,141	\$106,293
% of Hospital Rev	4.4%	3.3%	3.9%	5.0%	4.3%	4.3%



FY 2027 Budget Presentation

System FTEs Per Adjusted Occupied Bed

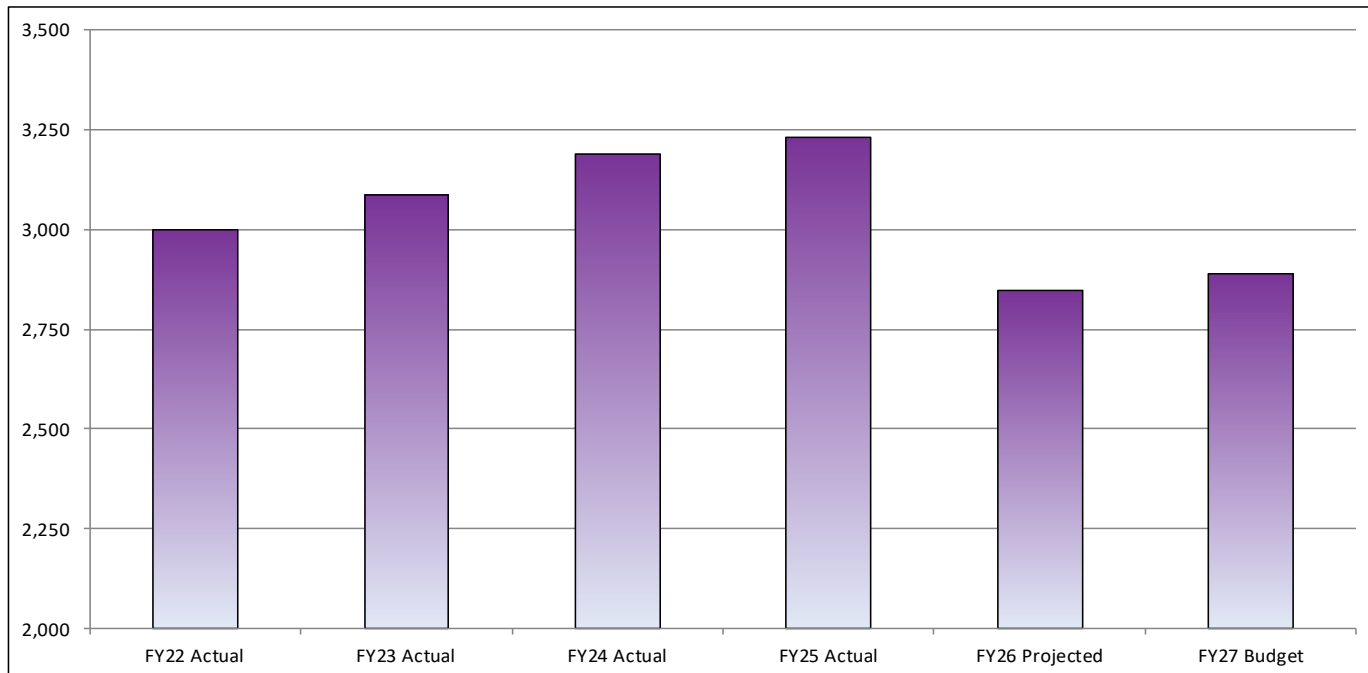
Year	FY 22 Actual	FY 23 Actual	FY 24 Actual	FY 25 Actual	FY 26 Projected	FY 27 Budget
Paid	5.9	6.1	6.3	6.0	5.6	5.7
Productive	5.3	5.5	5.7	5.4	5.1	5.2



FY 2027 Budget Presentation

System Paid FTEs

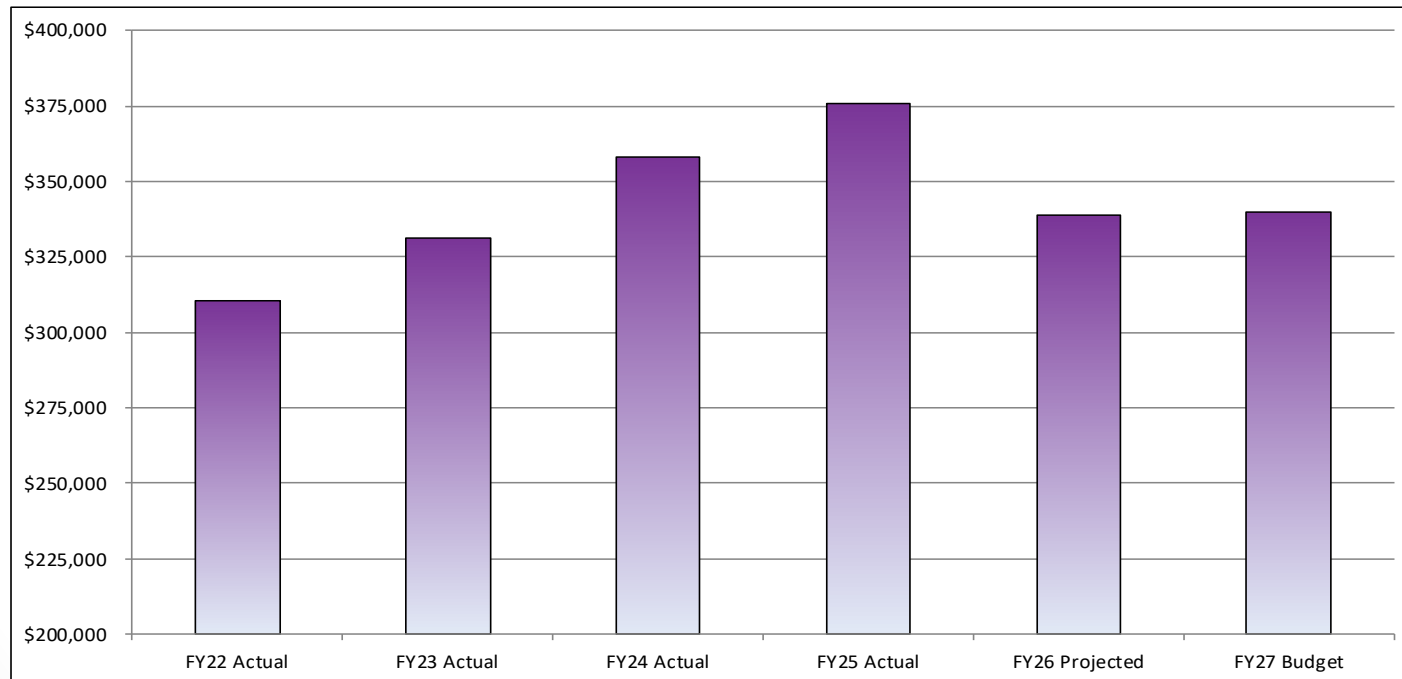
Year	FY 22 Actual	FY 23 Actual	FY 24 Actual	FY 25 Actual	FY 26 Projected	FY 27 Budget
Actual	3,000	3,086	3,189	3,233	2,846	2,888
Growth	1.4%	2.9%	3.3%	1.4%	-12.0%	1.5%



FY 2027 Budget Presentation

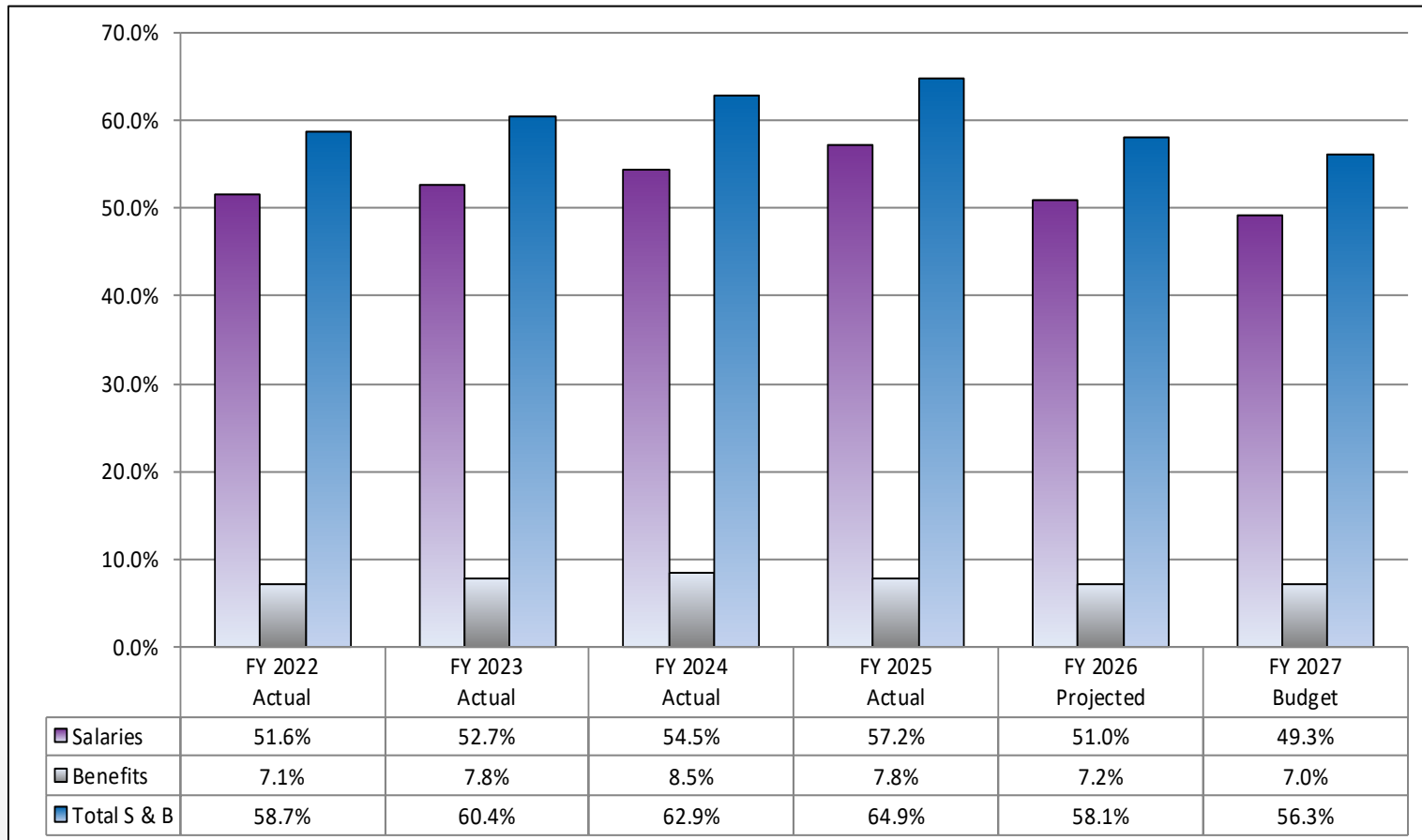
Salaries and Benefits Expense (\$ in 000's)

Year	FY 22 Actual	FY 23 Actual	FY 24 Actual	FY 25 Actual	FY 26 Projected	FY 27 Budget
Actual	\$310,261	\$331,067	\$357,882	\$375,992	\$338,643	\$340,005
Growth	9.2%	6.7%	8.1%	5.1%	-9.9%	0.4%



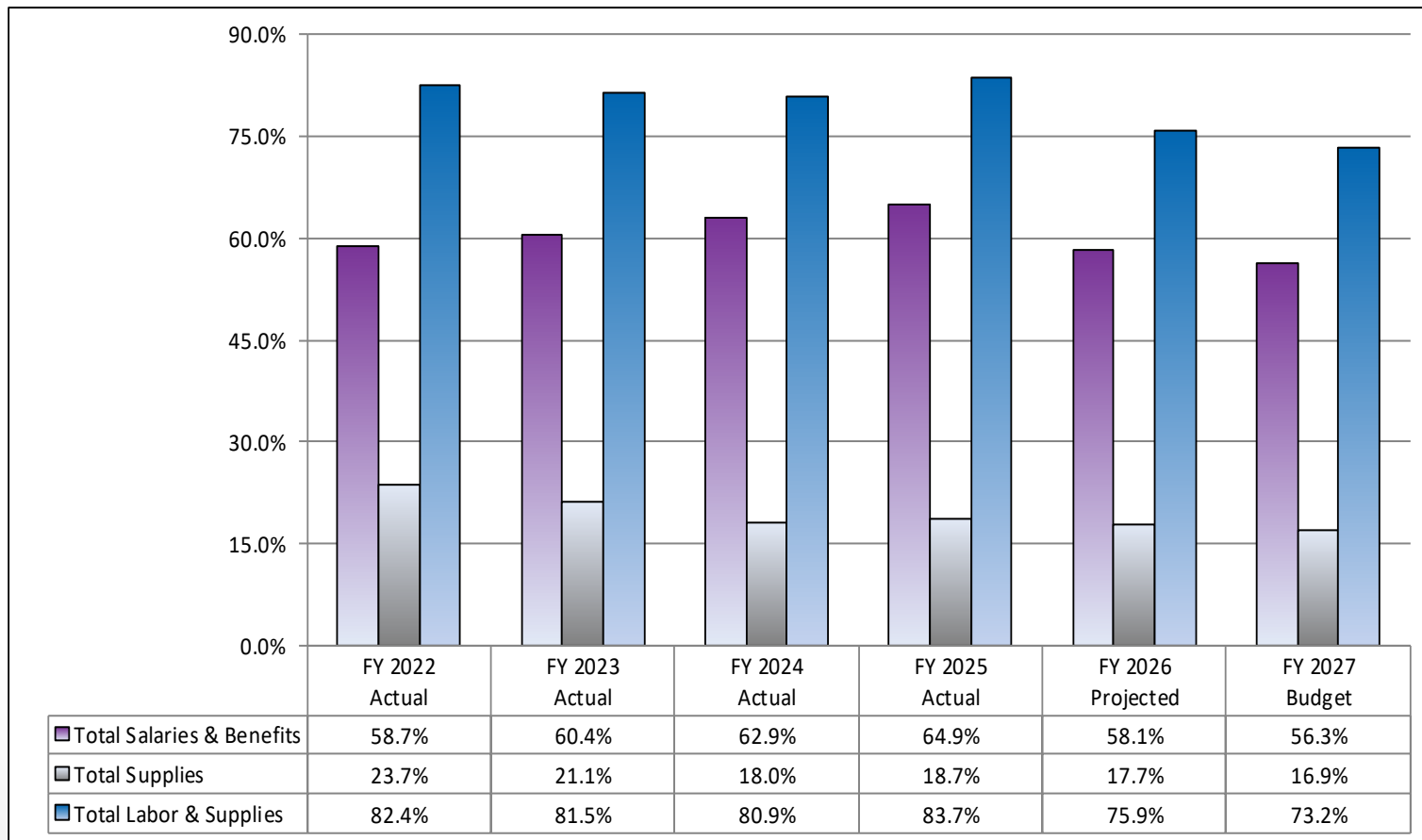
FY 2027 Budget Presentation

Salaries & Benefits as % of Net Revenue



FY 2027 Budget Presentation

Labor & Supplies as % of Net Revenue



FY 2027 Budget Presentation

Operating Budget

		FY 2026	FY 2027	Variance %
		<u>Projected</u>	<u>Budget</u>	<u>Incr/(Decr)</u>
	OPERATING REVENUE			
(1)	Inpatient Revenue	\$ 978,970,231	\$ 1,032,256,529	5.4%
(2)	Outpatient Revenue	1,314,606,196	1,418,688,988	7.9%
(3)	DME Revenue	7,520,152	7,800,000	3.7%
(4)	ED Physician Revenue	31,831,313	32,091,869	0.8%
(5)	Physician Revenue	<u>319,757,522</u>	<u>305,754,574</u>	-4.4%
(6)	PATIENT REVENUE	<u>\$ 2,652,685,413</u>	<u>\$ 2,796,591,959</u>	5.4%
(7)	Charity Deduction	9,187,914	9,449,472	2.8%
(8)	Bad Debt Expense	89,953,269	96,843,648	7.7%
(9)	Operational Denials & Recoveries	10,187,405	10,270,015	0.8%
(10)	Medicaid SHOPP Allowances	(59,288,146)	(60,881,966)	2.7%
(11)	Government & Other Hospital Deductions	1,783,443,019	1,911,360,505	7.2%
(12)	DME Adjustments	4,647,300	4,811,568	3.5%
(13)	ED Physician Adjustments	22,652,447	22,600,575	-0.2%
(14)	Physician Adjustments	<u>219,284,028</u>	<u>206,992,250</u>	-5.6%
(15)	DEDUCTIONS FROM REVENUE	<u>\$ 2,080,067,234</u>	<u>\$ 2,201,446,067</u>	5.8%
(16)	DFR %	78.4%	78.7%	
(17)	NET PATIENT REVENUE	572,618,179	595,145,892	3.9%
(18)	OTHER OPERATING REVENUE	<u>9,975,583</u>	<u>9,052,345</u>	-9.3%
(19)	NET REVENUE	\$ 582,593,762	\$ 604,198,237	3.7%



FY 2027 Budget Presentation

Operating Budget (continued)

		FY 2026	FY 2027	Variance %
		<u>Projected</u>	<u>Budget</u>	<u>Incr/(Decr)</u>
	EXPENSES			
(20)	Salaries	196,054,171	202,235,213	3.2%
(21)	Physician Salaries	88,095,442	84,722,468	-3.8%
(22)	APC Salaries	12,791,740	10,742,268	-16.0%
(23)	Payroll Taxes	18,281,522	18,291,986	0.1%
(24)	Employee Benefits	23,419,969	24,012,628	2.5%
(25)	Physician Fees	18,338,674	20,158,479	9.9%
(26)	Professional Services	5,536,965	5,455,149	-1.5%
(27)	Supplies (excluding pharmaceuticals)	81,394,495	81,670,543	0.3%
(28)	Pharmaceutical Supplies	21,941,271	20,664,716	-5.8%
(29)	Purchased Services	26,578,256	27,457,937	3.3%
(30)	Leases	3,745,091	3,466,542	-7.4%
(31)	Utilities	6,446,834	6,590,879	2.2%
(32)	Depreciation & Amortization	50,155,109	49,433,422	-1.4%
(33)	Interest Expense	21,939,345	20,439,955	-6.8%
(34)	Insurance	8,056,347	9,210,896	14.3%
(35)	Computer Services	11,000,311	11,852,453	7.7%
(36)	Service Contracts & Equipment Repairs	5,805,587	6,217,695	7.1%
(37)	Billing & Collections	6,786,082	4,991,834	-26.4%
(38)	SHOPP Fees	19,533,059	19,121,657	-2.1%
(39)	Miscellaneous	<u>8,617,422</u>	<u>\$ 9,190,876</u>	6.7%
(40)	TOTAL EXPENSES	<u>\$ 634,517,691</u>	<u>\$ 635,927,596</u>	0.2%
(41)	OPERATING INCOME	<u>\$ (51,923,929)</u>	<u>\$ (31,729,359)</u>	38.9%



FY 2027 Budget Presentation

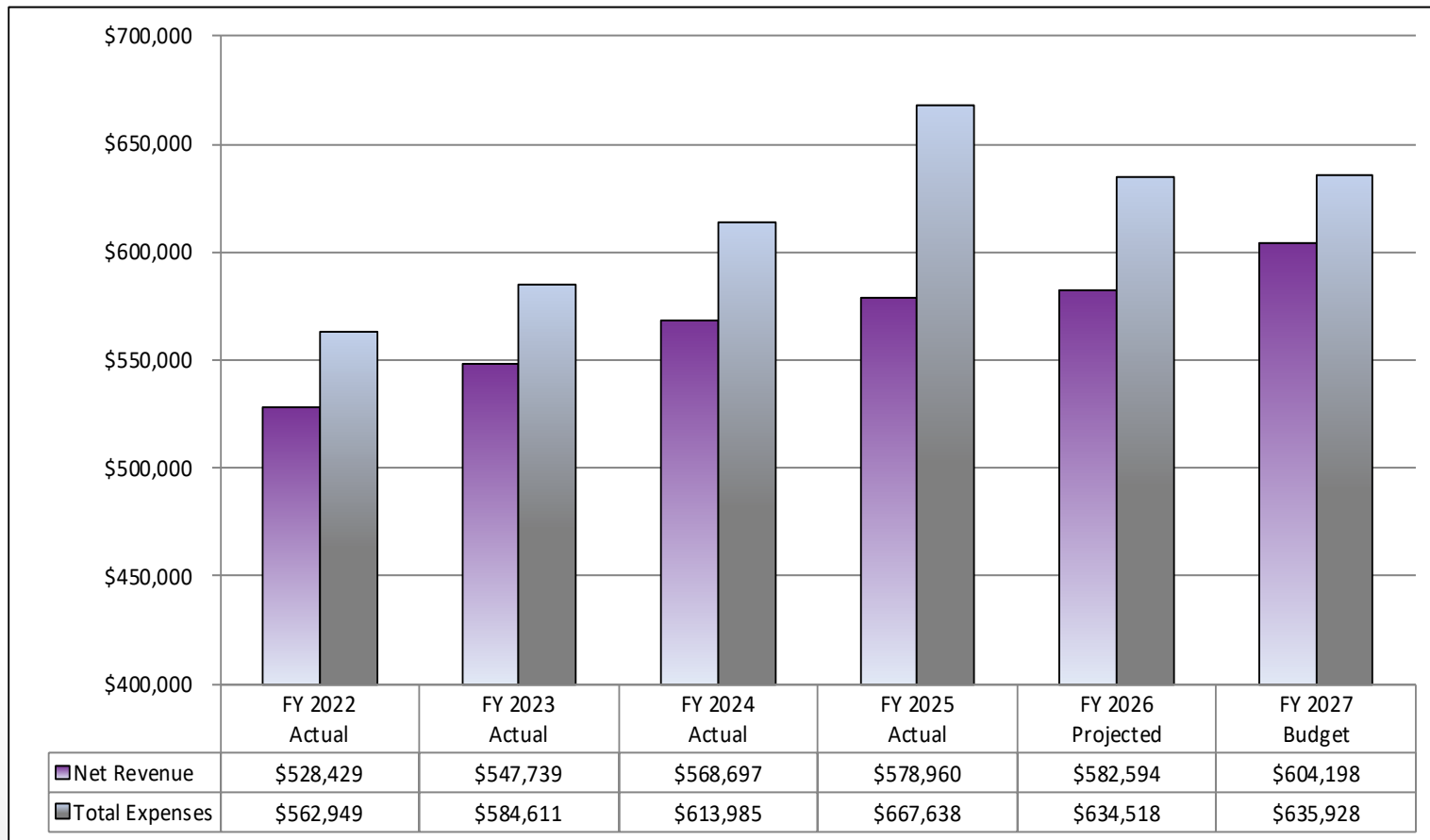
Operating Budget (continued)

	FY 2026 Projected	FY 2027 Budget	Variance % Incr/(Decr)
NON OPERATING			
(42) Contributions	23,792	26,161	10.0%
(43) Investment Income-Realized	3,533,109	2,456,354	-30.5%
(44) Investment Income-Unrealized	953,354	343,928	-63.9%
(45) Grant Revenue	407,076	374,976	-7.9%
(46) Gain/Loss on Sale of Asset	532,841	0	-100.0%
(47) TOTAL NON OPERATING	<u>\$ 5,450,172</u>	<u>\$ 3,201,419</u>	-41.3%
(48) NET INCOME	<u>\$ (46,473,757)</u>	<u>\$ (28,527,940)</u>	38.6%
(49) Capital Contributions	126,167	151,401	20.0%
(50) CHANGE IN NET ASSETS	<u>\$ (46,347,590)</u>	<u>\$ (28,376,539)</u>	38.8%
(51) OPERATING MARGIN	-8.9%	-5.3%	
(52) EBIDA Total Margin			
(53) Net Income	(46,473,757)	(28,527,940)	38.6%
(54) Depreciation & Amortization	50,155,109	49,433,422	-1.4%
(55) Interest Expense	<u>21,939,345</u>	<u>20,439,955</u>	-6.8%
(56) Net EBIDA	<u>\$ 25,620,697</u>	<u>\$ 41,345,436</u>	61.4%
(57) EBIDA MARGIN	4.4%	6.8%	



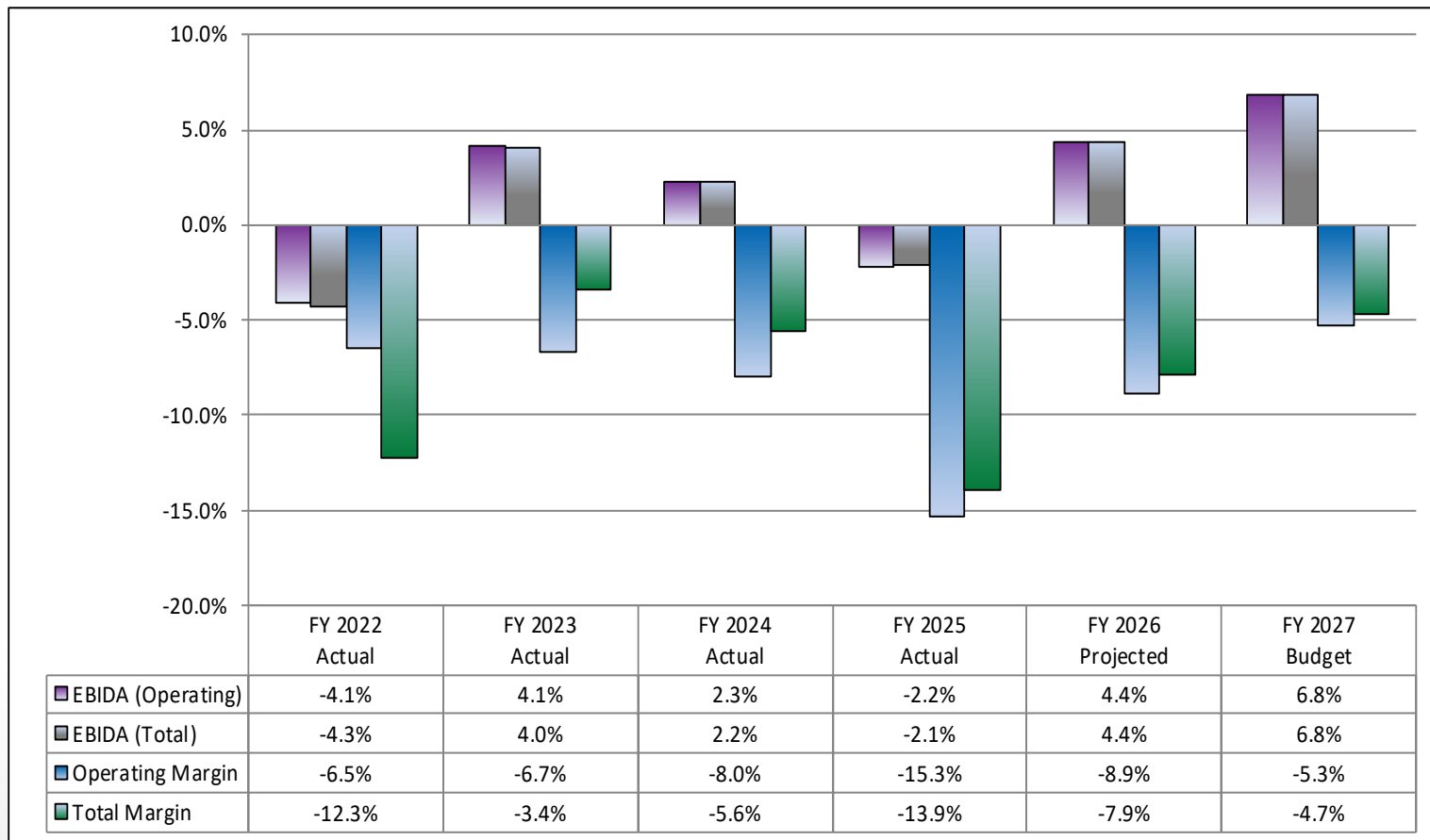
FY 2027 Budget Presentation

Net Revenue and Expense (\$ in 000's)



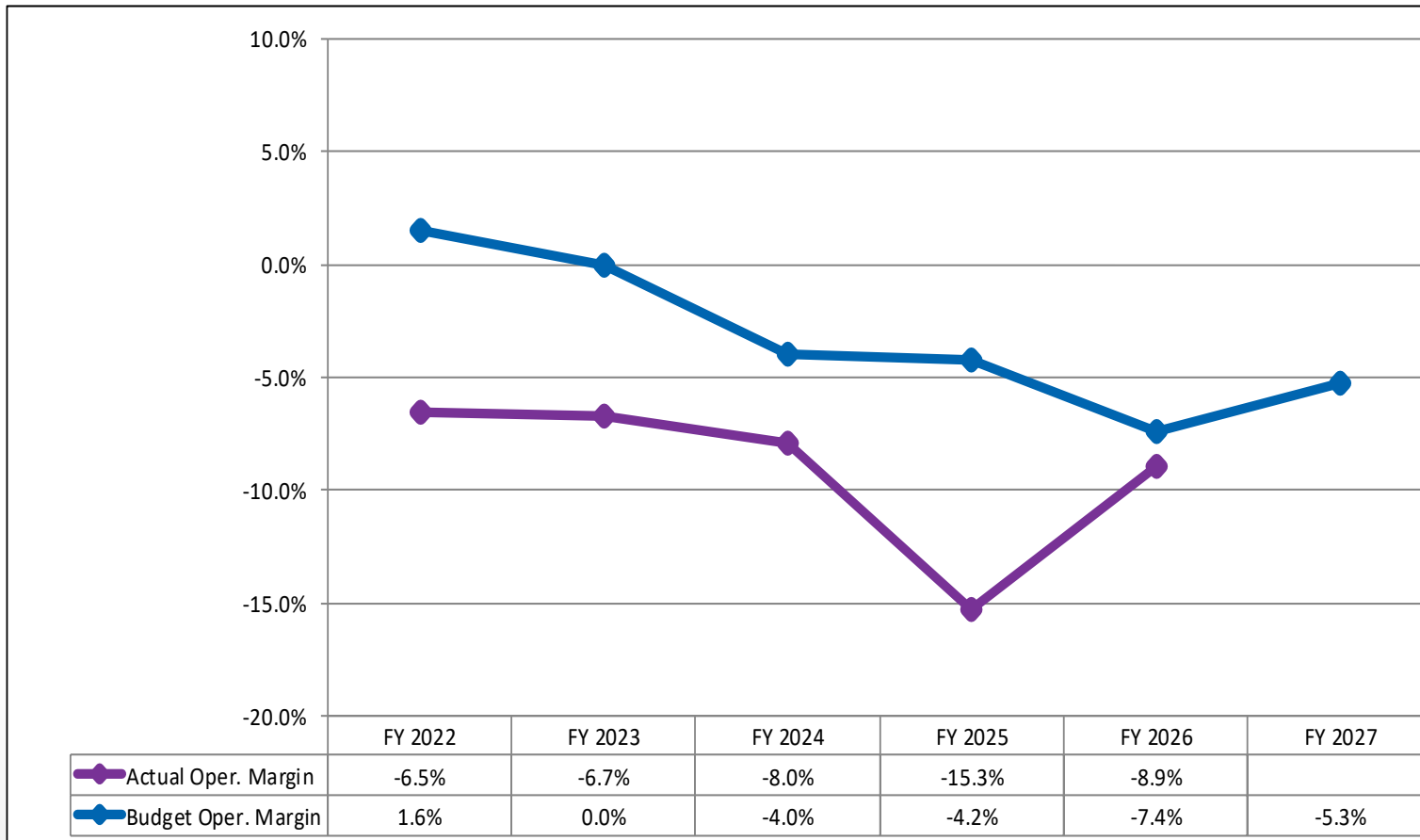
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Profit Margins



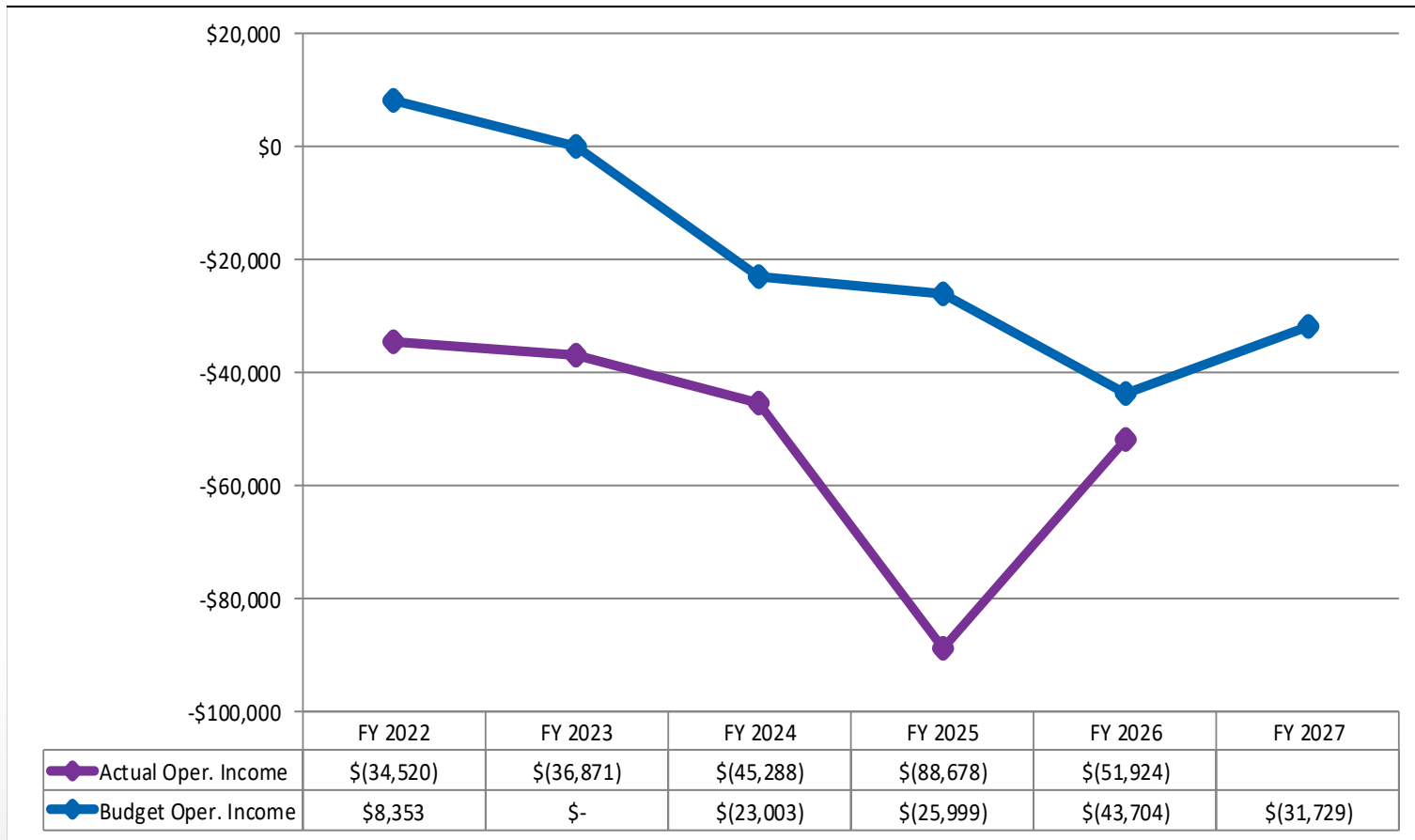
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Actual v. Budget Profit Margins



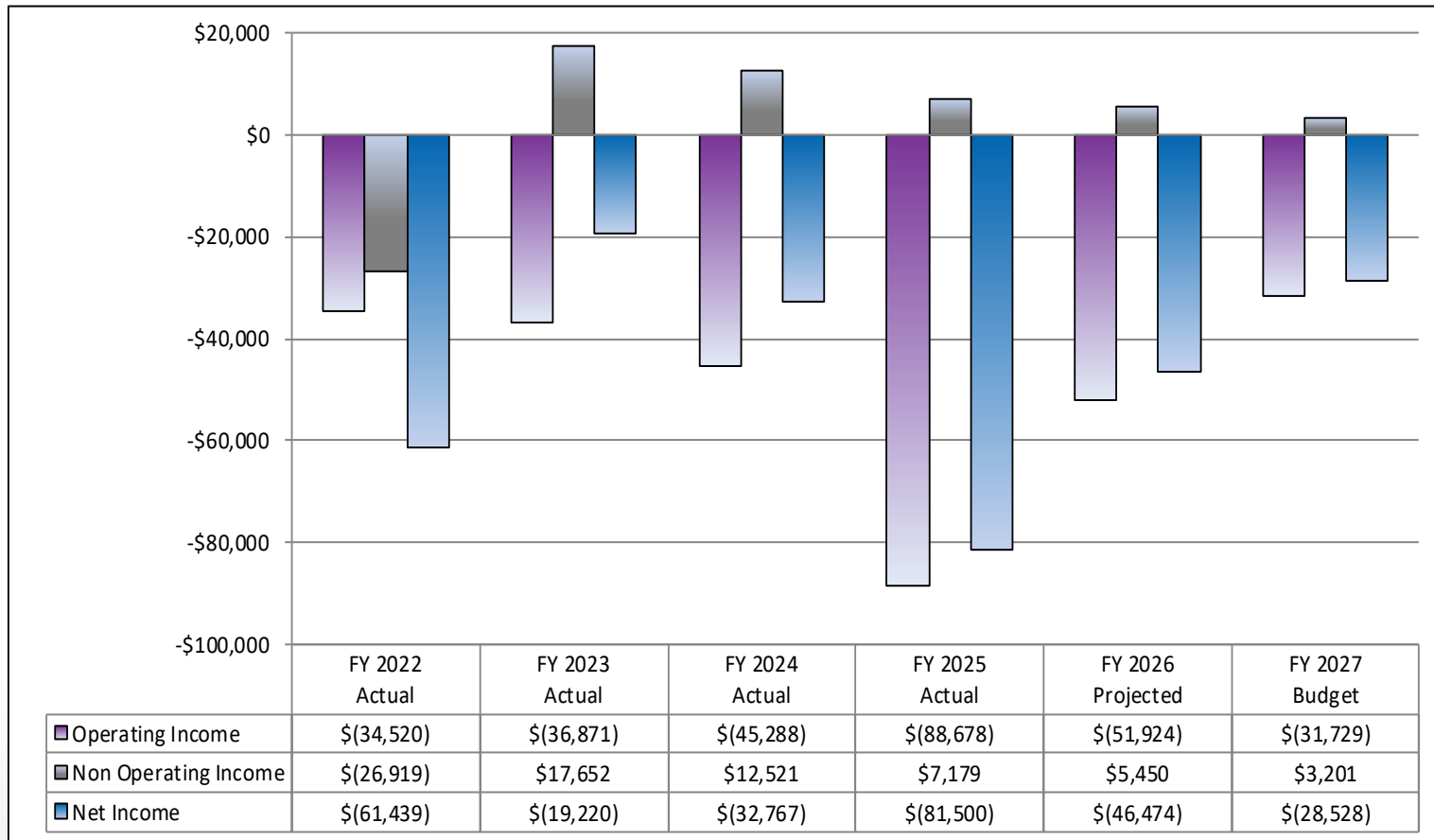
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Actual v. Budget Income (\$ in 000's)



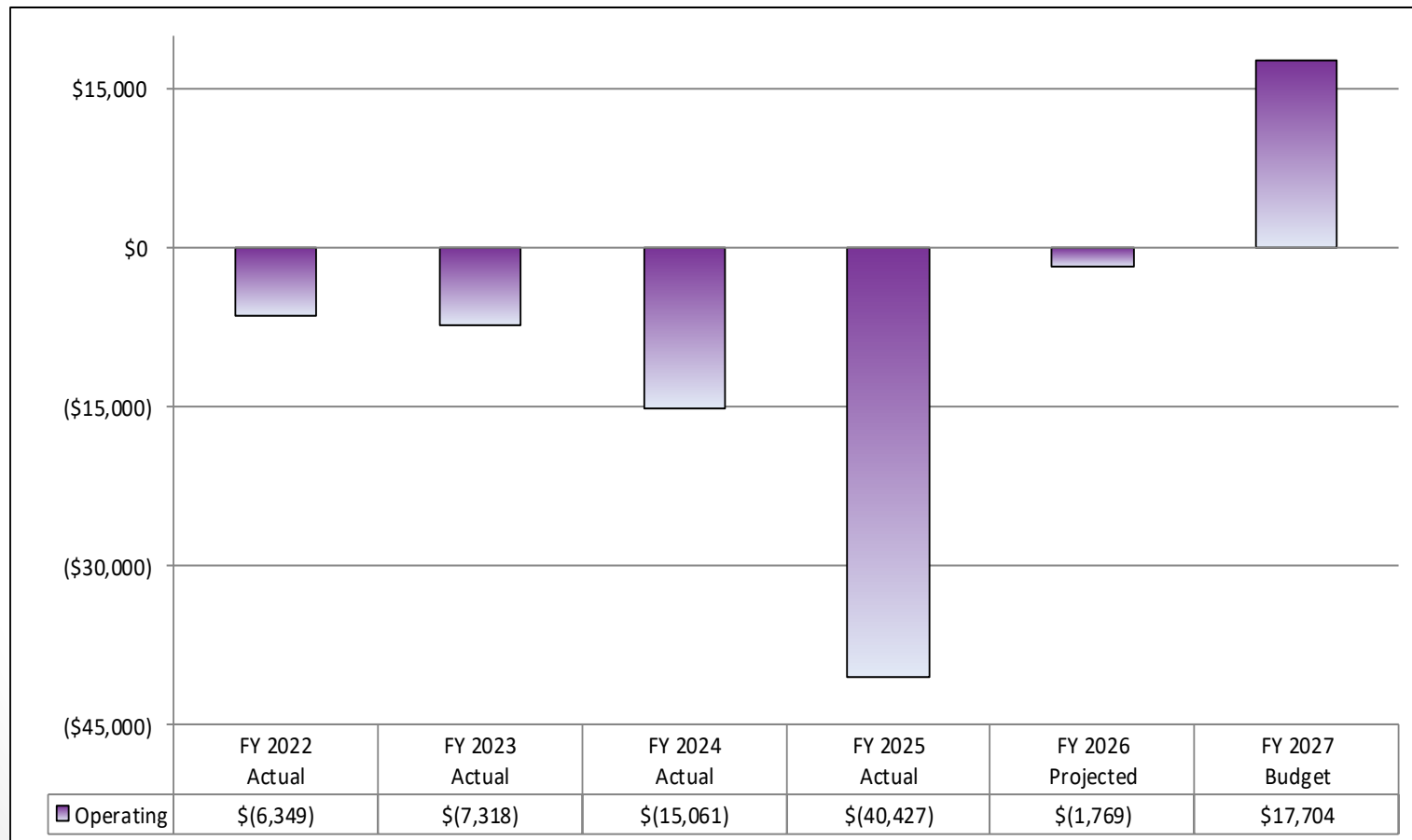
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Income (\$ in 000's)



FY 2027 Budget Presentation

Operating Cash Flow * (\$ in 000's)



* Operating Income + Depreciation & Amortization

