

Norman Regional Health System

FY 2026 Budget Presentation



FY 2026 Operating Budget

Norman Regional Health System

Volumes:

Patient Days	68,550 – Current year total with a little growth
Discharges	16,774 – Current year total with a little growth
Adjusted Patient Days	189,741 – Oncology services move to OU Health
Adjusted Discharges	46,429 – Oncology services move to OU Health

Cath Lab Cases:

Inpatient & Outpatient cases – total decrease 155 cases
Down 100 cases (due to one provider retiring)
Down 87 cases (due to one provider will be independent after Mar)
Other – up 32 cases (net of changes by other providers)



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Surgical Cases:

Inpatient – total increase 292 cases

Neurosurgery – up 226 cases (provider hired 6/25)

Orthopedic – up 30 cases (provider hired 1/25)

Other – up 36 cases (net of changes in multiple specialties)

Outpatient – total decrease 90 cases

Neurosurgery – up 65 cases (provider hired 6/25 – up 44 cases)

Plastic – down 133 cases (provider leaving after Sept)

Other – down 22 cases (net of changes in multiple specialties)

Ortho Central ASC Cases:

ASC cases – total increase 282 – provided by clinic leadership

GI Endoscopy Cases:

Endoscopy cases – total decrease 1,010 – provided by clinic leadership

Going from five to three providers



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Clinic Visits:

Clinic Visits – total decrease 26,438 visits - provided by clinic leadership

Endocrinology – down 10,607 visits (clinic closure)

Rheumatology – down 10,420 visits (clinic closure)

Pediatrics – down 12,045 visits (clinic closure)

OB Clinics – up 10,119 visits (full year of Women's Healthcare of Norman)

Primary Care – down 4,058 visits (net of new providers and clinic closures)

Other – up 573 visits (net of changes in multiple clinics)



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Benefits:

Projected using YTD-May annualized – 7% for RIF and other cost savings initiatives

Supplies (normal inflation): category specific

Pharmaceuticals (Acute)	4.3%
Pharmaceuticals (Clinics)	3.5%
Medical Supplies	2.4%
Implants	2.1%
Surgical Instruments	1.9%
Blood Bank	1.9%
Radioisotopes	3.0%
Oxygen	4.0%
Food	3.1%
Office Supplies	3.3%
Other Supplies	2.1%

Supplies (tariff inflation):

Assumes tariff inflation risk will be offset by other supply chain cost savings initiatives



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Patient Revenue: \$49.1M total decrease

Hospital IP Revenue (Surgical IP cases, net of multiple changes)	\$22.2M
Hospital OP Revenue (includes the following)	(\$63.5M)
PET/CT & Radiation Therapy move to OU Health	
Surgical OP cases (net of multiple changes)	
Sleep Lab procedures for new OK Sleep Associates physician	
DME revenue is included, but has declined last few months	(\$1.6M)
ED Physician revenue (based on volume)	\$0.6M
Clinic revenue (includes the following)	(\$6.8M)
Pediatrics (clinic closure)	
Endocrinology (clinic closure)	
Rheumatology (clinic closure)	
OB Clinics (full year of Women's Healthcare of Norman)	
OK Sleep Associates (new physician)	
Other Clinics (net of multiple changes)	



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Net Patient Revenue: \$3.4M total increase

- PET/CT & Radiation Therapy move to OU Health
- Medicaid DSH payments zeroed, will not qualify
- SHOPP payments set to projection, based on allocation from OHA
- Hospital Blue Cross rate increase of 6% + 4% in Apr-26
- ED Physician Pro Fee enhanced Medicaid billing
- Clinic revenue (includes the following)
 - Pediatrics (clinic closure)
 - Endocrinology (clinic closure)
 - Rheumatology (clinic closure)
 - OB Clinics (full year of Women's Healthcare of Norman)
 - OK Sleep Associates (new physician)
 - Other Clinics (net of multiple changes)
- Denials Management improvement initiative
- Bad Debt Collections improvement initiative



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Other Operating Revenue: \$12.3M total decrease

PET/CT & Radiation Therapy sale to OU Health

Service Compensation (Oncology providers employed by OU Health)

Lease rental income from OU Health

Services Agreement income from OU Health

Meds-to-Beds program revenue

Net of other changes in multiple departments



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Expenses: \$32.1M total decrease

Non-Physician Salaries (including the following)	(\$22.5M)
RIF Non-Physician Salaries and vacancies not being filled	
Managing staff to new benchmarks starting in Sep	
Contract and labor adjustments	
Reimbursed Salaries from Foundation	
Physician Salaries (including the following)	(\$7.1M)
RIF Physician Salaries impact	
ED Physician Salaries cost reduction	
Payroll Taxes for RIF, managing to benchmarks, and other cost reductions	(\$1.6M)
Employee Benefits (including the following)	(\$3.8M)
RIF and other cost reductions	
340B employee pharmaceutical pricing	
Other cost savings initiatives	
Physician Fees (locum tenens coverage for Intensivists)	\$0.8M
Professional Services (includes \$3.5M for Plante Moran)	\$3.2M



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Supplies (mostly Implants, includes the following)	\$1.8M
Increasing surgical cases and utilization	
Normal inflation (2.1%)	
Pharmaceuticals (includes the following)	\$2.8M
Meds-to-beds program (offset in other operating revenue)	
Normal inflation (4.3% Acute, 3.5% Clinics)	
Women's Healthcare of Norman full year impact	
Purchased Services (including the following)	(\$2.6M)
OK Sleep Associates (for additional provider)	
Contract termination mid-year	
Utilities (13.8% - 16.4% increase per location, based on impact estimates from OG&E)	\$0.6M
Depreciation (includes the following)	\$2.8M
Cancer Center lease, offset in other operating revenue	
CIP moving into service as construction is completed	
Routine capital purchases depreciation	
Useful life ending for various assets	
Closure and relocation of several clinics	
Interest Expense (includes the following)	\$1.5M
Cancer Center lease, offset in non-operating revenue	
Interest on lower principal (bonds and master lease)	
Closure and relocation of several clinics	
Insurance for significant increases in new policy premiums (including HPL/PPL/GL)	\$1.5M



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Computer Services (mostly in HIT for contracts that termed or moved to SBITA)	(\$0.7M)
Billing & Collection Fees for coding of specialty care clinics & R1 rate adjustment	(\$1.1M)
SHOPP Fees for full year at CY25 rate (Jan-25 had 5.4% increase)	\$0.5M
Miscellaneous expenses (includes the following and some other small changes)	(\$8.9M)
OU Clinic Service Compensation for sale of Oncology clinic to OU Health	
Recruitment strategic reduction and physician guarantees termed	
Advertising expenses strategic reduction for certain vendors	
Community Contributions strategic reduction for certain vendors	
Other savings in multiple departments	
Estimate for other service line savings initiatives still being analyzed	



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	FY 2025 <u>Actual</u>	FY 2026 <u>Budget</u>	Variance % <u>Incr/(Decr)</u>
OPERATING REVENUE			
(1) Inpatient Revenue	\$ 971,915,184	\$ 994,096,354	2.3%
(2) Outpatient Revenue	1,450,398,408	1,386,890,013	-4.4%
(3) DME Revenue	8,781,932	7,200,000	-18.0%
(4) ED Physician Revenue	31,018,213	31,586,358	1.8%
(5) Physician Revenue	<u>338,625,018</u>	<u>331,812,316</u>	-2.0%
(6) PATIENT REVENUE	<u>\$ 2,800,738,755</u>	<u>\$ 2,751,585,041</u>	-1.8%
(7) Charity Deduction	5,838,171	5,739,993	-1.7%
(8) Bad Debt Expense	114,101,472	111,795,174	-2.0%
(9) Operational Denials & Recoveries	11,895,639	7,493,697	-37.0%
(10) Medicaid SHOPP Allowances	(54,875,514)	(54,712,098)	-0.3%
(11) Government & Other Hospital Deductions	1,876,607,205	1,840,816,854	-1.9%
(12) DME Adjustments	5,311,908	4,388,436	-17.4%
(13) ED Physician Adjustments	22,114,322	20,265,747	-8.4%
(14) Physician Adjustments	<u>238,247,759</u>	<u>230,864,661</u>	-3.1%
(15) DEDUCTIONS FROM REVENUE	<u>\$ 2,219,240,963</u>	<u>\$ 2,166,652,463</u>	-2.4%
(16) DFR %	79.2%	78.7%	
(17) NET PATIENT REVENUE	581,497,792	584,932,578	0.6%
(18) OTHER OPERATING REVENUE	<u>22,160,130</u>	<u>9,835,313</u>	-55.6%
(19) NET REVENUE	\$ 603,657,922	\$ 594,767,891	-1.5%



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		FY 2025	FY 2026	Variance %
		<u>Actual</u>	<u>Budget</u>	<u>Incr/(Decr)</u>
	EXPENSES			
(20)	Salaries	238,538,666	216,051,742	-9.4%
(21)	Physician Salaries	92,546,937	85,483,512	-7.6%
(22)	Payroll Taxes	20,254,265	18,641,811	-8.0%
(23)	Employee Benefits	24,651,955	20,891,469	-15.3%
(24)	Physician Fees	12,820,023	13,608,123	6.1%
(25)	Professional Services	1,904,370	5,130,249	169.4%
(26)	Supplies (excluding pharmaceuticals)	84,390,946	86,195,219	2.1%
(27)	Pharmaceutical Supplies	24,042,518	26,826,491	11.6%
(28)	Purchased Services	24,780,537	22,159,786	-10.6%
(29)	Leases	3,246,988	3,473,548	7.0%
(30)	Utilities	6,377,117	6,964,893	9.2%
(31)	Depreciation & Amortization	48,250,903	51,048,943	5.8%
(32)	Interest Expense	20,697,982	22,168,955	7.1%
(33)	Insurance	6,562,698	8,032,828	22.4%
(34)	Computer Services	11,135,162	10,389,300	-6.7%
(35)	Service Contracts & Equipment Repairs	6,051,777	6,633,151	9.6%
(36)	Billing & Collections	8,641,805	7,531,503	-12.8%
(37)	SHOPP Fees	19,423,272	19,934,469	2.6%
(38)	Miscellaneous	\$ 12,474,296	\$ 3,556,865	-71.5%
(39)	TOTAL EXPENSES	\$ 666,792,215	\$ 634,722,857	-4.8%
(40)	OPERATING INCOME	\$ (63,134,293)	\$ (39,954,966)	36.7%



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	FY 2025 <u>Actual</u>	FY 2026 <u>Budget</u>	Variance % <u>Incr/(Decr)</u>
NON OPERATING			
(41) Contributions	32,214	14,135	-56.1%
(42) Investment Income-Realized	8,187,557	4,944,318	-39.6%
(43) Investment Income-Unrealized	(2,208,201)	155,000	107.0%
(44) FEMA Grant	1,166,955	-	-100.0%
(45) TOTAL NON OPERATING	<u>\$ 7,178,524</u>	<u>\$ 5,113,453</u>	-28.8%
(46) NET INCOME	<u>\$ (55,955,769)</u>	<u>\$ (34,841,513)</u>	37.7%
(47) Capital Contributions	1,859,393	0	-100.0%
(48) CHANGE IN NET ASSETS	<u>\$ (54,096,377)</u>	<u>\$ (34,841,513)</u>	35.6%
(49) OPERATING MARGIN	-10.5%	-6.7%	
(50) EBIDA Total Margin			
(51) Net Income	(55,955,769)	(34,841,513)	37.7%
(52) Depreciation & Amortization	48,250,903	51,048,943	5.8%
(53) Interest Expense	<u>20,697,982</u>	<u>22,168,955</u>	7.1%
(54) Net EBIDA	<u>\$ 12,993,116</u>	<u>\$ 38,376,385</u>	195.4%
(55) EBIDA MARGIN	2.2%	6.5%	



FY 2026 Budget Volumes

Norman Regional Health System

	Discharges			Patient Days			ALOS		
	FY 2025 Actual	FY 2026 Budget	% Incr/Decr	FY 2025 Actual	FY 2026 Budget	% Incr/Decr	FY 2025 Actual	FY 2026 Budget	% Incr/Decr
Total System									
(1) Rehab	553	556	0.5%	6,285	6,394	1.7%	11.37	11.50	1.2%
(2) Acute	15,878	15,908	0.2%	58,594	58,311	-0.5%	3.69	3.67	-0.7%
(3) NICU	301	310	3.0%	3,501	3,845	9.8%	11.63	12.40	6.6%
(4) Total	16,732	16,774	0.3%	68,380	68,550	0.2%	4.09	4.09	0.0%



FY 2026 Budget Volumes

Norman Regional Health System

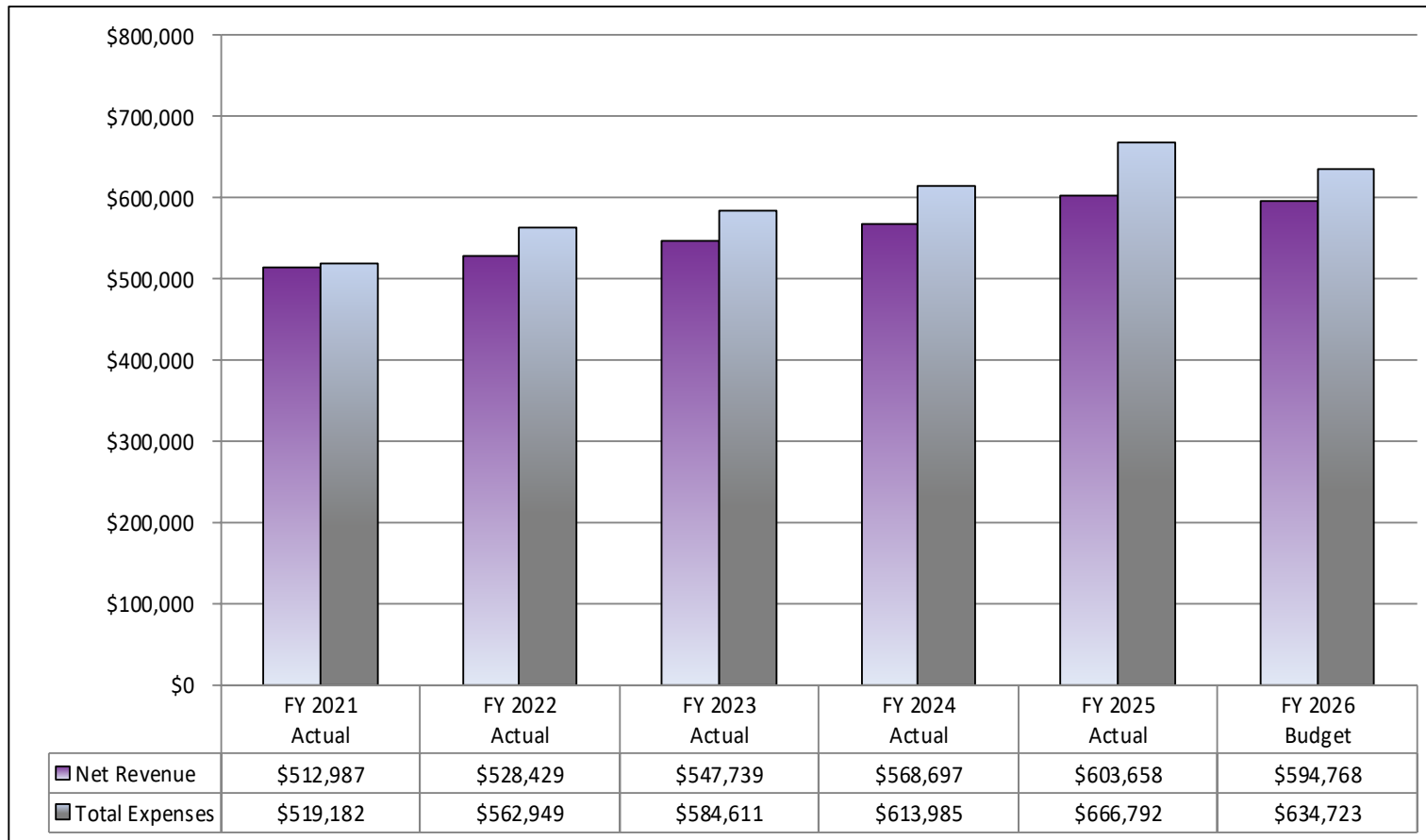
	FY 2025 Actual	FY 2026 Budget	% Incr/Decr
Adjusted Statistics			
(1) Adjusted Patient Days	197,049	189,741	-3.7%
(2) Adjusted Discharges	48,216	46,429	-3.7%
Deliveries			
(3) Total	2,275	2,324	2.2%
Cath Lab Cases			
(4) Inpatient	1,606	1,520	-5.4%
(5) Outpatient	1,934	1,865	-3.6%
(6) Total	3,540	3,385	-4.4%
Surgeries (excludes FBC Surgeries)			
(7) Inpatient	2,858	3,150	10.2%
(8) Outpatient	8,646	8,556	-1.0%
(9) Total	11,504	11,706	1.8%
ASC/Endoscopy Cases			
(10) Ortho Central ASC	2,410	2,692	11.7%
(11) GI Endoscopy	4,574	3,564	-22.1%
(12) Total	6,984	6,256	-10.4%
EMSStat Registrations			
(13) EMSStat Registrations	23,204	23,748	2.3%

	FY 2025 Actual	FY 2026 Budget	% Incr/Decr
Emergency Department Visits (includes ED admissions)			
(14) NRH	52,640	52,868	0.4%
(15) NRM	20,355	20,780	2.1%
(16) NRN	24,281	24,576	1.2%
(17) Total	97,276	98,224	1.0%
(18) OB ED	3,352	3,220	-3.9%
(19) Total w/ OB ED	100,628	101,444	0.8%
OP Hospital Registrations (includes outpatient ED visits)			
(20) NRH	223,418	217,032	-2.9%
(21) NRM	67,328	67,008	-0.5%
(22) NRN	45,679	46,350	1.5%
(23) Total	336,425	330,390	-1.8%
Clinic Visits (includes Telehealth)			
(24) Primary Care	175,100	158,997	-9.2%
(25) Specialty (excluding below)	111,480	102,287	-8.2%
(26) Ortho Central (Clinic & PT)	88,102	91,965	4.4%
(27) Heart & Vascular	44,944	40,676	-9.5%
(28) Surgery	30,664	29,518	-3.7%
(29) Physical Therapy	30,551	30,720	0.6%
(30) GI of Norman	16,895	17,135	1.4%
(31) Oncology	0	0	0.0%
(32) Total Clinic Visits	497,736	471,298	-5.3%



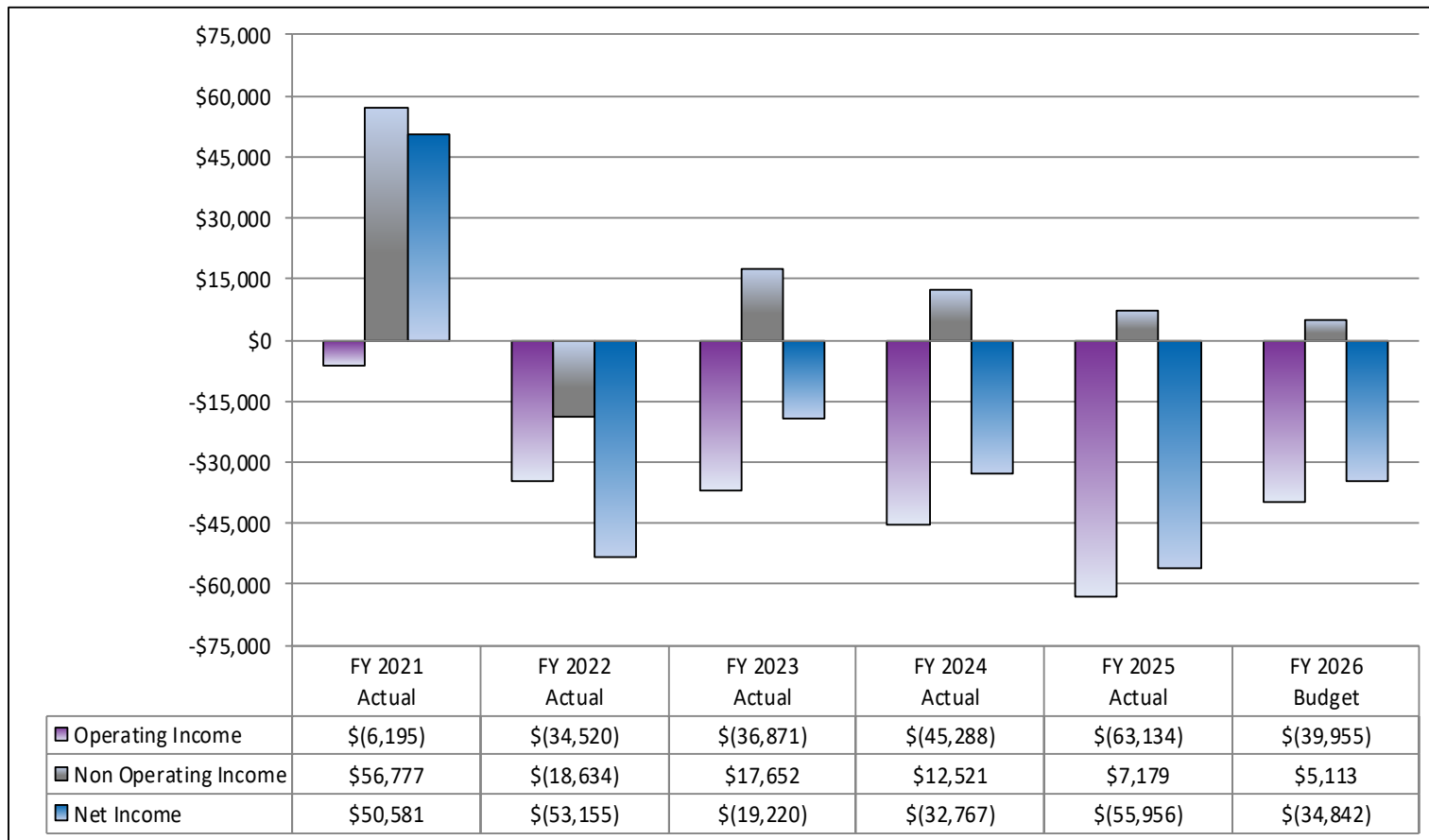
FY 2026 Budget Presentation

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



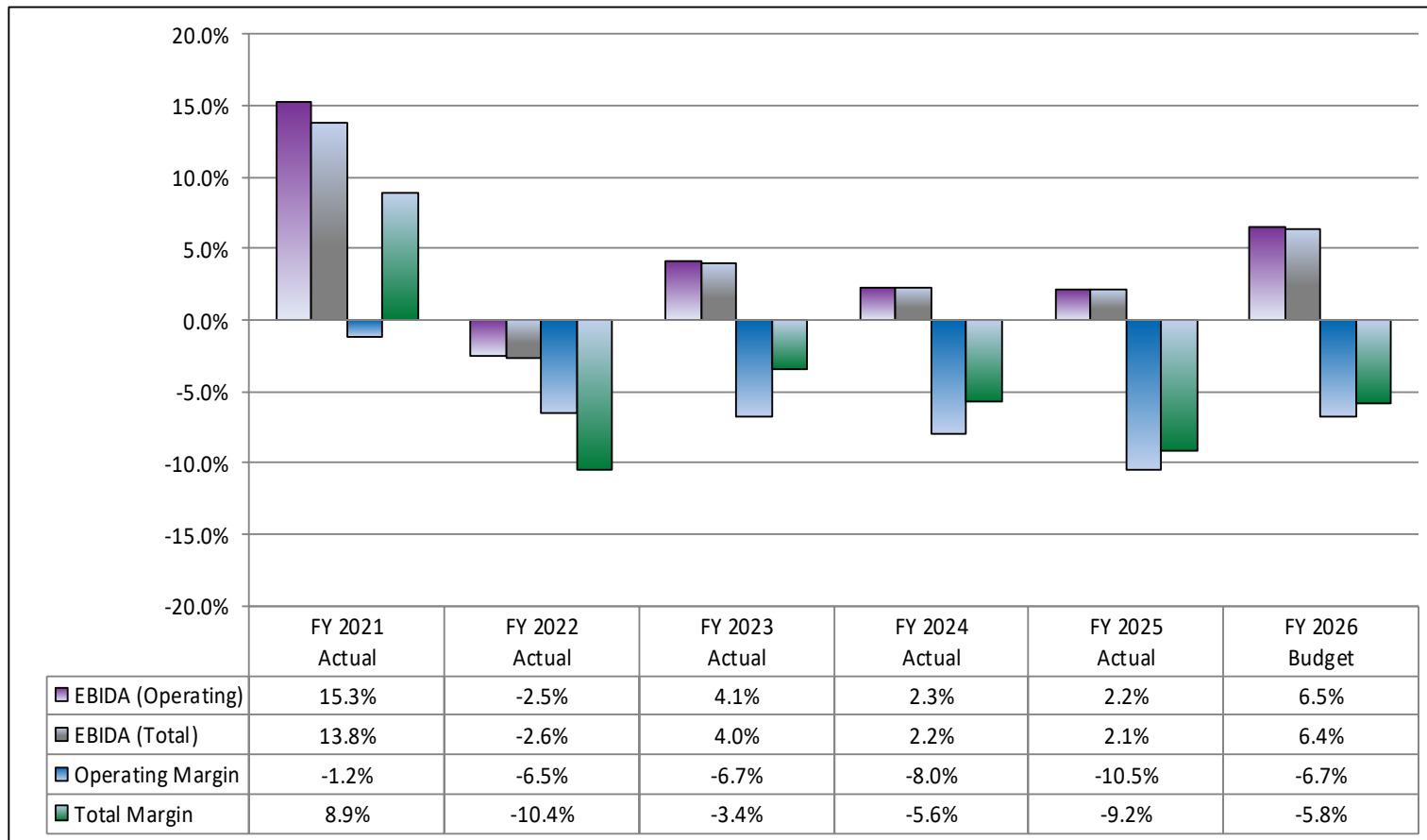
FY 2026 Budget Presentation

Income (\$ in 000's)



FY 2026 Budget Presentation

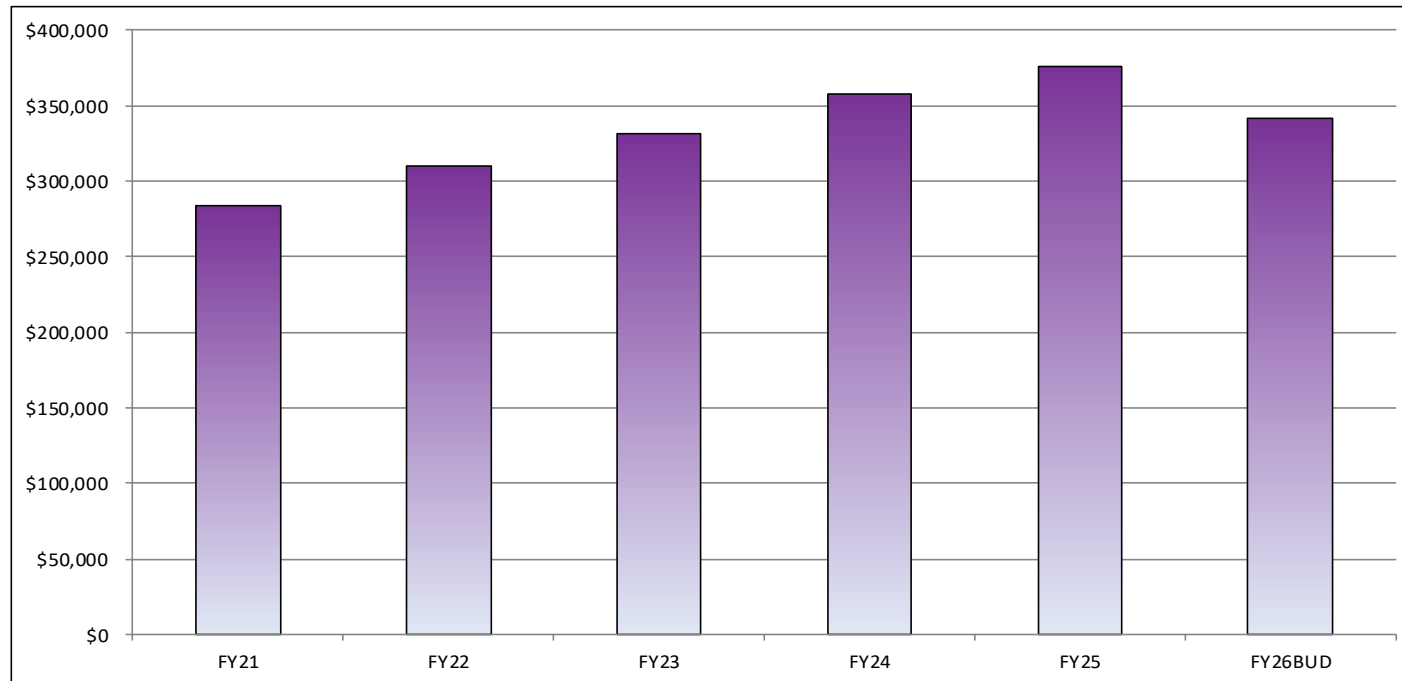
Profit Margins



FY 2026 Budget Presentation

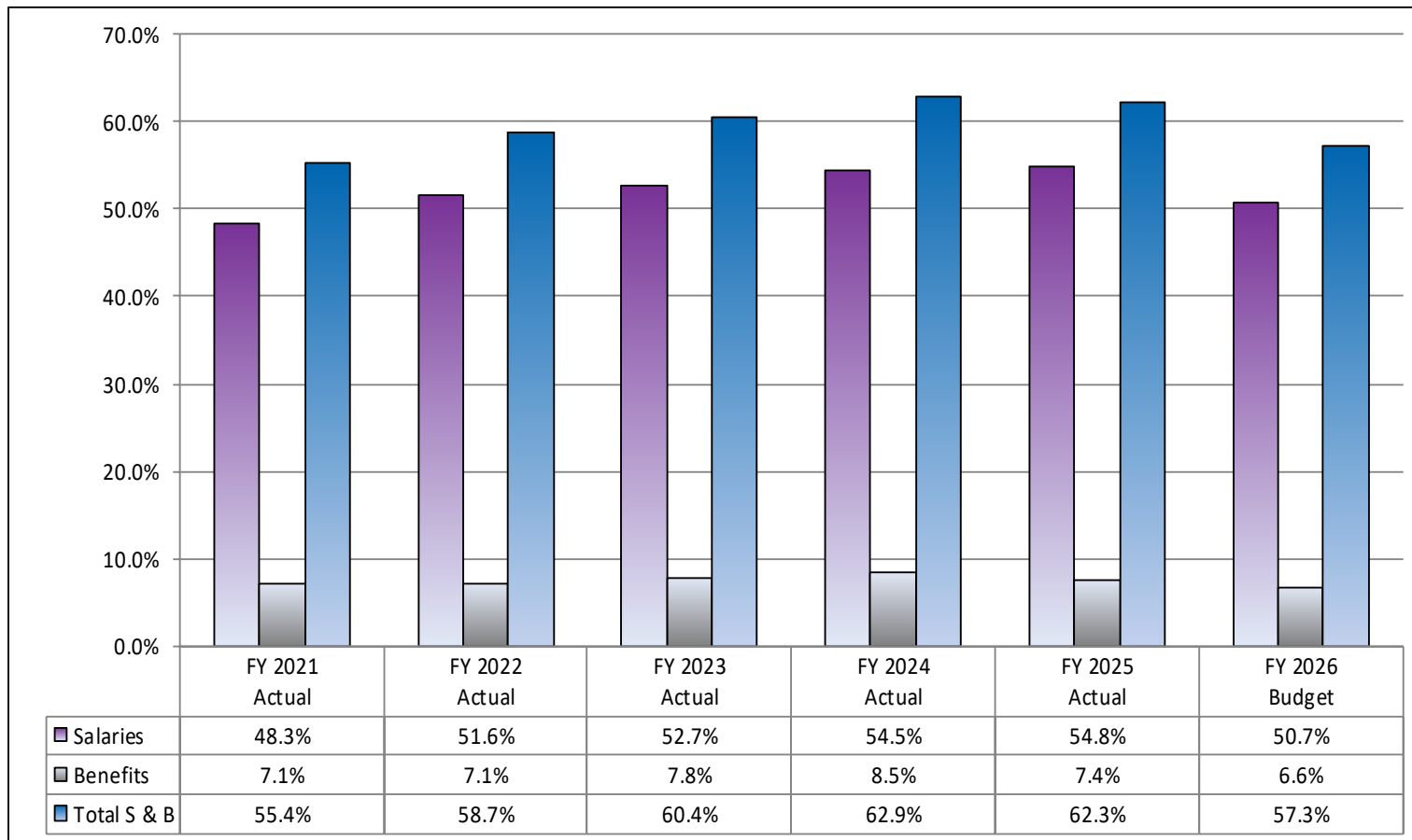
Salaries and Benefits Expense (\$ in 000's)

Year	FY 21 Act	FY 22 Act	FY 23 Act	FY 24 Act	FY 25 Act	FY 26 Bud
Actual	\$284,210	\$310,261	\$331,067	\$357,882	\$375,992	\$341,069
Growth	5.7%	9.2%	6.7%	8.1%	5.1%	-9.3%



FY 2026 Budget Presentation

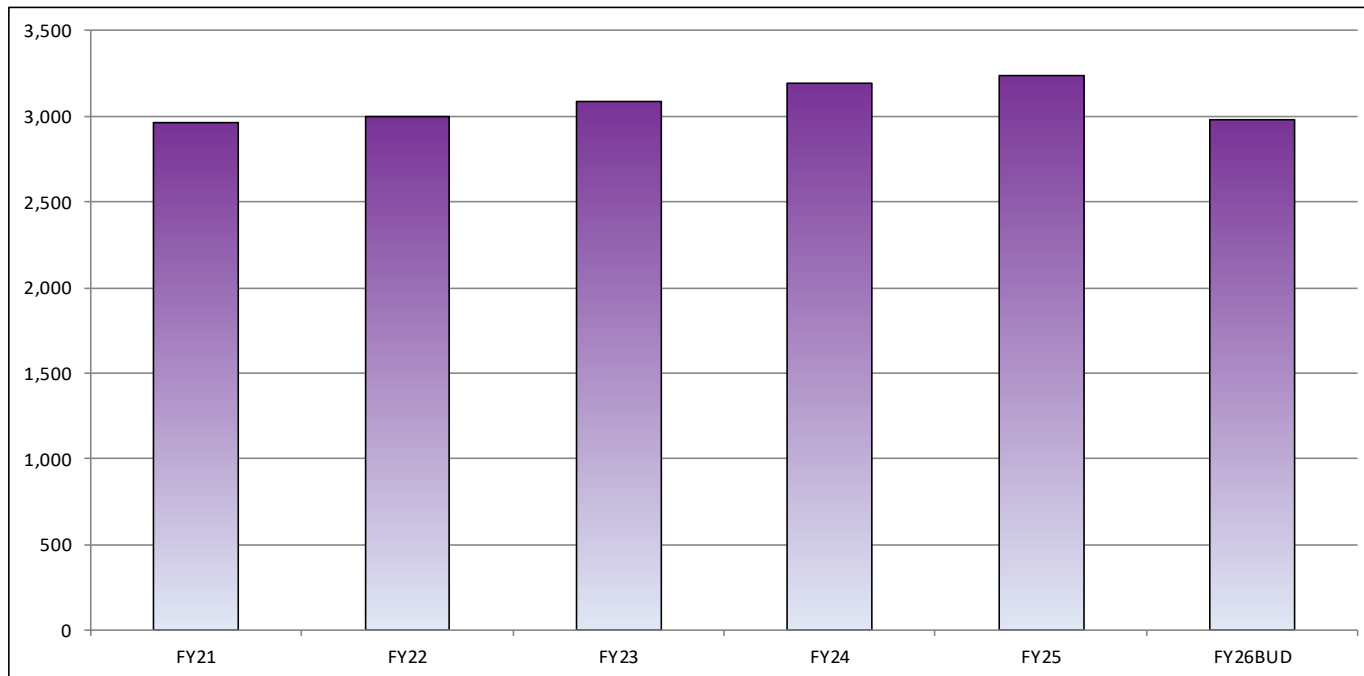
Salaries & Benefits as % of Net Revenue



FY 2026 Budget Presentation

System Paid FTEs

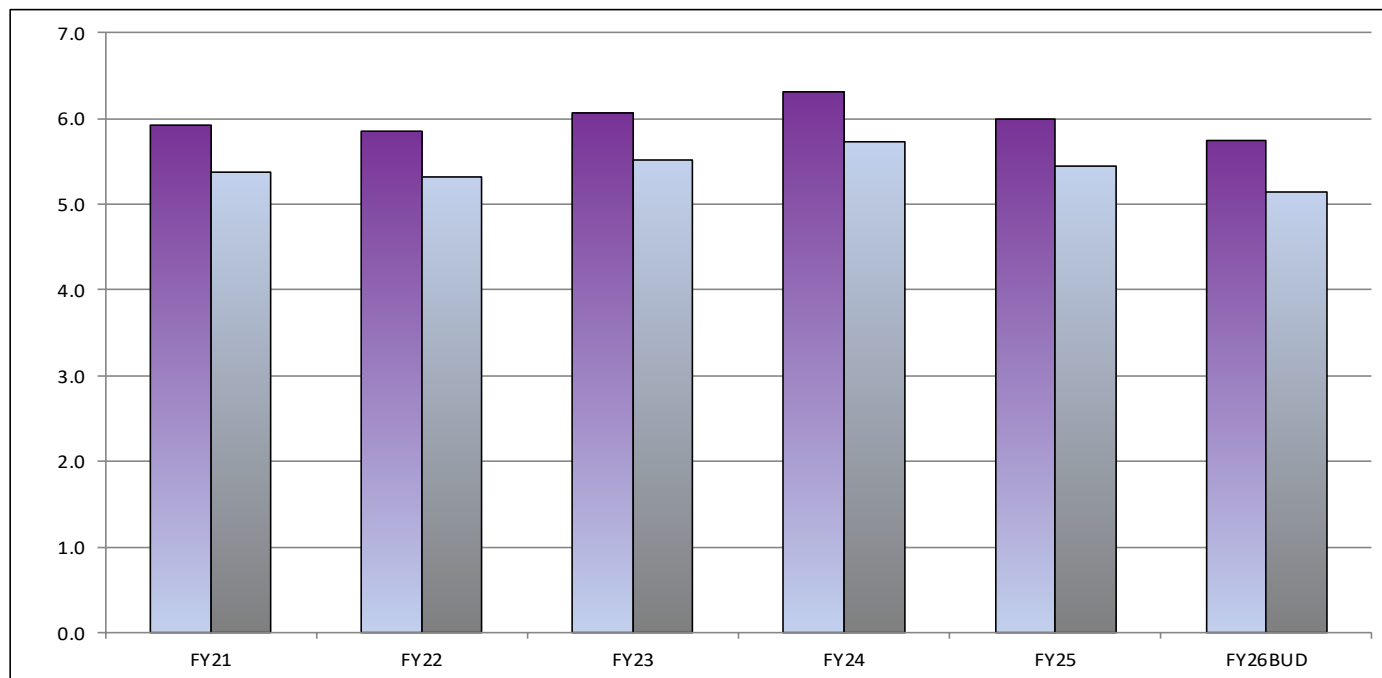
Year	FY 21 Act	FY 22 Act	FY 23 Act	FY 24 Act	FY 25 Act	FY 26 Bud
Actual	2,959	3,000	3,086	3,189	3,233	2,984
Growth	5.0%	1.4%	2.9%	3.3%	1.4%	-7.7%



FY 2026 Budget Presentation

System FTEs Per Adjusted Occupied Bed

Year	FY 21 Act	FY 22 Act	FY 23 Act	FY 24 Act	FY 25 Act	FY 26 Bud
Paid	5.9	5.9	6.1	6.3	6.0	5.7
Productive	5.4	5.3	5.5	5.7	5.4	5.1



FY 2026 Budget Presentation

Labor & Supplies as % of Net Revenue

