



Petersburg Medical Center

CFO FY25 Budget Memo June 21, 2024

I wish to thank Joel Pipkin for his time and expertise in creating the Budget Workbook and meeting with department managers to review information and prepare the budget requests. We kicked off Budget Season with a training session with all managers. This helps take away some of the anxiety of preparing a budget and helps everyone understand our business strategy. Given that we are a CAH hospital our business and financial strategy is very different from a large hospital or general business. Our goal is to provide quality patient care, not cheap patient care. We are reimbursed by Medicare and Medicaid based on cost. It is important for us to be good stewards with our costs, but cutting costs and thus reducing quality means we will refund Medicare, upset patients and staff. None of these outcomes are consistent with our goals. Phil is constantly leading us to recruit permanent employees that are experts in their field. When we do this, we attract more patients to the organization, meet community expectations, lower our per unit cost of care and achieve great outcomes, including financial performance.

As you review the budget summary you will note that revenues and the bottom line are in brackets indicating a negative number. That is not the case. The bracket indicates in the system a debit and the no-bracket is a credit. Debit means Left Side, Credit means Right Side. This is how the figures appear in the double entry accounting system. The bottom-line shows \$(253,000). This is a profit, not a loss. You will also note that the subtotals for a category appear at the top of the category and not the bottom.

There are a couple of key assumptions in the budget we wish to bring to your attention. The budget includes an increase in the Charge Master for Hospital, Clinic and Home Health of 8%. We have already sent out notices for the increase in the Nursing home rate. We have incorporated a 5% increase in total wages. This includes the normal 2% cost of living increases for the wage scales that are in effect that will go into effect in July. We will perform a market review of the wage scales of all positions this summer or early fall and may increase some positions to ensure that they match current market rates. We have seen an increase in Agency Staff, due to a variety of reasons, but remain steadfast to our goal to attract and retain a permanent workforce with diverse and exceptional skills. Good wages and a great culture are what it takes to recruit the best.

There is an 11% increase in the cost of PMC employee health insurance premiums. There is a 6% increase in the cost of PMC's general business insurance fees. We are receiving the renewal notices currently and will update you in the board meeting. Depreciation increases by 10% with the addition of the 3D Mammo machine this summer. We budget for travel and training based on requests. These expenses are subject to approval based on the financial performance of the organization. Most departments don't use all that they request. Actual expenses often fall lower than the budget in this category.

With regard to patient volumes, we will focus on building a stronger connection with Mountain View Manner this year. We hope to help them improve the continuity of care, and help the families of residents prepare for the transition to long-term care as appropriate. We recognize that the facilities for Long Term Care are not as nice as the assisted living facility. We are working hard to build a new facility. We always provide exceptional care in the department.

The capital grants are our best guess of what will be completed by July of 2025 on the WERC building. Operating grants that are awarded or certain are incorporated into the operating budget.

We believe that this is a conservatively projected budget incorporating known changes in our operations. As always, reality will vary somewhat from our budget plan. We strive to budget for expenses 2% higher than what we realistically believe they will be due to the fact that we are a component unit of the Borough and the budget, when approved by the board, is a legal appropriation authorizing the CEO to spend funds to operate the organization. As we manage reality, we strive to produce a positive bottom line greater than \$250,000.

Submitted by: Jason McCormick, CFO
