



# Financial Update

September, FY2017

*Clinical Department Chairs  
October 19, 2016*

THE UNIVERSITY OF TEXAS  
**MD Anderson**  
**Cancer Center**

Making Cancer History®

# The Trends

- Gross Patient Revenue per work day has been flat for the past 5 months
- For many departments, productivity levels are not at FY 2015 levels
- Operating expense growth continues to exceed operating revenue growth
- Operating expenses are not slowing down due to lower volumes (*i.e., we are not staffing to the workload*)
- Some reasons why volumes are down ....
  - EPIC system (tools, reports, technology fixes)
  - Providers
  - Capacity (Mondays & Fridays; weekends for select services; services at right location)
  - Demand (wait times, rate of incoming calls/requests to set up appointments)
  - Insurance coverage

# FY17 Financial Statement

## Consolidated Statement of Operations

### Actual vs. Budget

### Month of September

	Actuals Sept		Budget Sept		Fav / (Unfav) Dollar	Variance Percent
<b>REVENUE</b>						
Hospital Gross Patient Revenue	\$ 527,053,725		\$ 601,380,636		\$ (74,326,911)	-12.4%
Professional Fee Gross Patient Revenue	103,957,680		116,057,916		(12,100,236)	-10.4%
Total Gross Patient Revenue	631,011,405		717,438,552		(86,427,147)	(12.0%)
Deductions from Gross Patient Revenue	343,906,711	54.5%	387,919,026	54.1%	44,012,315	11.3%
TOTAL NET PATIENT REVENUE	287,104,694		329,519,526		(42,414,832)	(12.9%)
Other Operating Revenue	35,790,604		32,836,595		2,954,009	9.0%
TOTAL OPERATING REVENUE	322,895,298		362,356,121		(39,460,823)	(10.9%)
<b>OPERATING EXPENSE</b>						
Personnel Expense	210,045,936	65.1%	210,148,371	58.0%	102,435	0.0%
Other Operating Expense	154,316,446		165,383,060		11,066,614	6.7%
TOTAL OPERATING EXPENSE	364,362,382		375,531,431		11,169,049	3.0%
<b>TOTAL OPERATING INCOME / (LOSS)</b>	<b>(41,467,084)</b>		<b>(13,175,310)</b>		<b>(28,291,774)</b>	<b>(214.7%)</b>
<b>NON-OPERATING REVENUE (EXPENSE)</b>						
State Appropriations	16,753,839		17,314,366		(560,527)	(3.2%)
Restricted & Designated Gifts	4,590,378		1,936,219		2,654,159	137.1%
Investment Income	9,188,374		8,992,173		196,201	2.2%
<b>ADJUSTED INCOME / (LOSS)</b>	<b>\$ (10,934,493)</b>		<b>\$ 15,067,448</b>		<b>\$ (26,001,941)</b>	<b>(172.6%)</b>

# FY17 Operating Activity

## Month of September

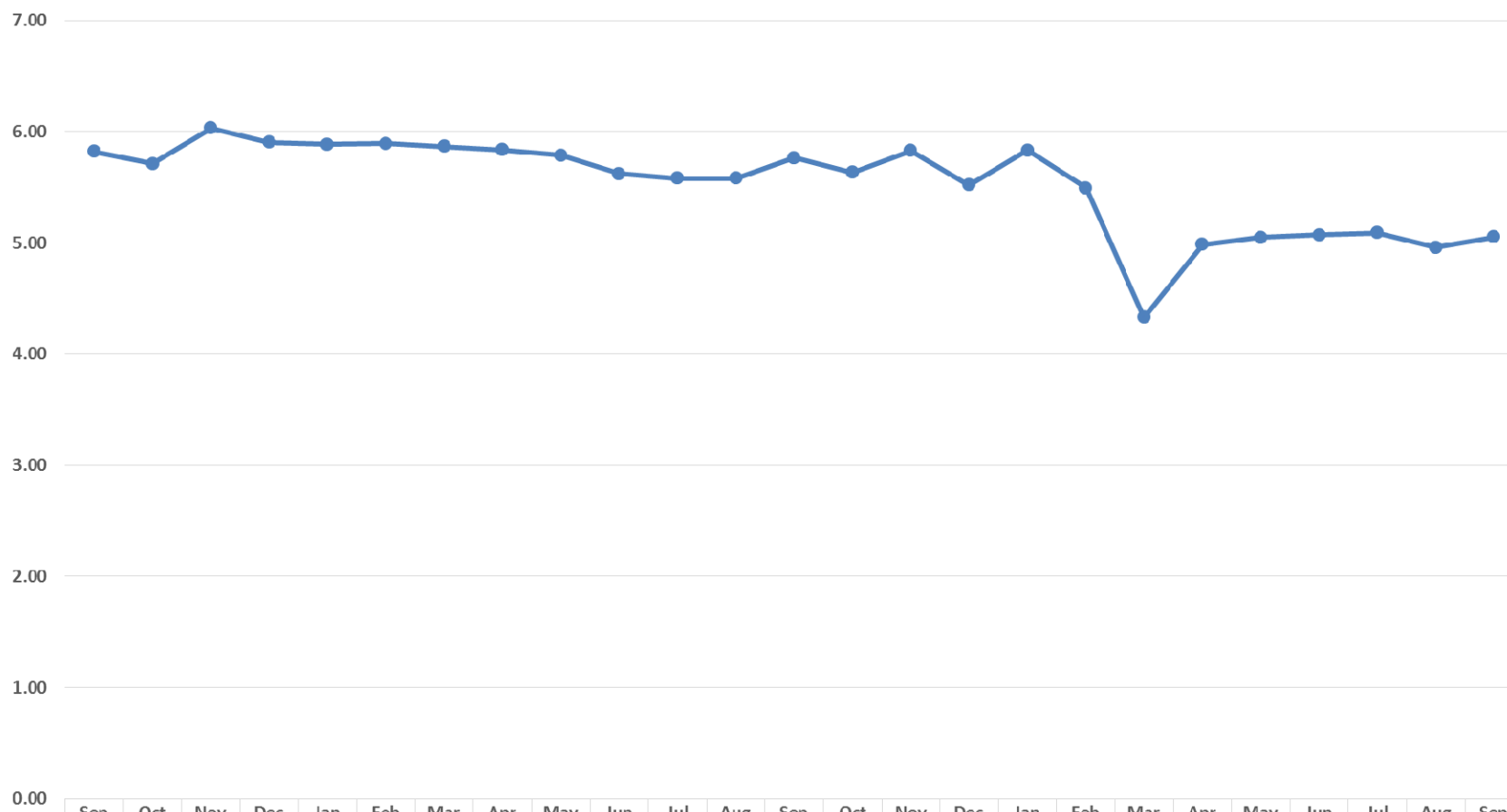
	<u>Actuals Sep-16</u>	<u>Budget Sep-16</u>	<u>Fav / (Unfav) Metric</u>	<u>Variance Percent</u>
<b>Main Campus</b>				
News and Consults	7,611	7,825	(214)	-2.7%
Total Providers	980.74	969.05	(11.69)	-1.2%
Productivity Ratio	7.76	8.07	(0.31)	-3.8%
Path/Lab Billed Procedures	989,405	1,180,562	(191,157)	-16.2%
Diagnostic Imaging Procedures	45,291	51,179	(5,888)	-11.5%
Radiation Oncology New Treatment Starts	531	611	(80)	-13.1%
Surgery Cases	1,710	1,794	(84)	-4.7%
Patient and Observation Days	16,896	18,409	(1,513)	-8.2%
<b>Houston Area Locations</b>				
News and Consults	828	791	37	4.7%
Total Providers	102.62	109.47	6.86	6.3%
Productivity Ratio	8.07	7.22	0.85	11.8%
Community Surgery Cases	107	121	(14)	-11.4%
<b>FTEs</b>				
Classified	18,072	18,491	419	2.3%
Administrative	296	303	7	2.4%
Faculty	1,719	1,789	70	3.9%
Education	997	1,121	124	11.0%
TOTAL	<u>21,084</u>	<u>21,705</u>	<u>620</u>	<u>2.9%</u>

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# Outpatient Billable Visits per Upstream Provider per Work Day



OPBV/PRO/WD	Sep FY15	Oct FY15	Nov FY15	Dec FY15	Jan FY15	Feb FY15	Mar FY15	Apr FY15	May FY15	Jun FY15	Jul FY15	Aug FY15	Sep FY15	Oct FY15	Nov FY15	Dec FY15	Jan FY16	Feb FY16	Mar FY16	Apr FY16	May FY16	Jun FY16	Jul FY16	Aug FY16	Sep FY16
	5.82	5.71	6.03	5.90	5.89	5.89	5.87	5.84	5.79	5.62	5.58	5.58	5.76	5.63	5.83	5.52	5.83	5.49	4.33	4.98	5.05	5.07	5.09	4.96	5.05

## FY16 vs. FY17 Operating Activity

## Month of September

	<u>Actuals Sep-15</u>	<u>Actuals Sep-16</u>	<u>Increase / (Decrease) Metric</u>	<u>Percent</u>
<b>Main Campus</b>				
News and Consults	7,893	7,611	(282)	-3.7%
Total Providers	935.23	980.74	45.51	4.6%
Productivity Ratio	8.44	7.76	(0.68)	-8.8%
Path/Lab Billed Procedures	1,067,153	989,405	(77,748)	-7.9%
Diagnostic Imaging Procedures	45,178	45,291	113	0.2%
Radiation Oncology New Treatment Starts	572	531	(41)	-7.7%
Surgery Cases	1,751	1,710	(41)	-2.4%
Patient and Observation Days	17,770	16,896	(874)	-5.2%
<b>Houston Area Locations</b>				
News and Consults	674	828	154	18.6%
Total Providers	90.26	102.62	12.36	12.0%
Productivity Ratio	7.47	8.07	0.60	7.4%
Community Surgery Cases	130	107	(23)	-21.5%
<b>FTEs</b>				
Classified	17,102	18,072	970	5.4%
Administrative	292	296	4	1.4%
Faculty	1,708	1,719	11	0.7%
Education	998	997	(1)	-0.1%
<b>TOTAL</b>	<u>20,100</u>	<u>21,084</u>	<u>984</u>	<u>4.7%</u>

# Gross Patient Revenue Clinical Margin and MDACC Margin

<i>Dollars in Millions</i>	Annual		Quarterly				Month
	FY14	FY15	FY16 Q1	FY16 Q2	FY16 Q3	FY16 Q4	Sept FY17
Average Gross Patient Revenue per Work Day	\$28.0	\$30.0	\$31.5	\$31.7	\$27.0	\$29.6	\$30.0
Clinical Operating Margin Percent	40.1%	40.5%	40.1%	36.4%	31.1%	34.2%	29.7%
Total MDACC Operating Margin Dollars	\$95.4	\$144.9	\$10.2	-\$26.7	-\$161.9	-\$88.7	-\$41.5

**NOTES:**

Average GPR per Work Day - recent	May, FY16	\$29.2
	Jun, FY16	\$28.8
	Jul, FY16	\$30.2
	Aug, FY16	\$30.0
	Sep, FY17	\$30.0

Estimated FY17 MDACC Operating Margin if Average GPR remains \$30.0 Million/day through fiscal year (all other factors at FY17 budgeted amounts):  
**\$ 400.00 to \$450.00 Million Operating Loss**

Estimated equivalent expense reduction to mitigate \$400.0 - \$450.0 Million loss:  
**4,500 to 5,000 FTEs**

# Organizational Strategic Initiatives

**Goal:** *Improve operational efficiencies and margins while measuring metrics that can be managed.*

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- Formalize Clinical Productivity Model
- Shared Services
- Central Scheduling
- Pre-Registration Process
- Formalize “Staff to Workload” metrics
- Policy for Bad Debt and Denials
- Manage Open Encounters
- Overhead Costs (includes central and decentralized costs)
- Implement driver-based rolling forecasts
- Manage the spending of programs using soft funds (i.e., gifts, interest income)

*Follow best practice by relying on benchmark data, holding performers accountable and producing management reports that are transparent.*